



Thulamela Local Municipality
Annual Financial Statements
for the year ended 30 June 2020

Thulamela Local Municipality

Annual Financial Statements for the year ended 30 June 2020

General Information

Legal form of entity

Thulamela Local Municipality

Nature of business and principal activities

Provision of services (sanitation, refuse and other services) to communities in a sustainable manner, to promote social and economic development and to promote a safe and healthy environment.

The following is included in the scope of operation

Rates and waste management and general services
Local government activities
Planning and promotion of the integrated development plan
Land, economic and environmental development
The mandate of the municipality is in terms of section 152 of the Constitution of South Africa

Mayoral committee

Executive Mayor

Cllr Tshifhango A.S

Speaker

Cllr Mulovhedzi H.P

Chief Whip

Cllr Mahosi N.G

EXCO

Cllr Malada T.P

Cllr Mulaudzi KE

Cllr Netshipise L

Cllr Netshisaulu T.E

Cllr Mulaudzi SN

Cllr Ligaraba LE

Cllr Rambuda AS

Cllr Mutheiwana FA

Cllr Maduse LS

Cllr Kwindi MR

Councillors

Cllr Netshifhefhe M

Cllr Madzunya E

Cllr Netshifhefhe K.J - MPAC member

Cllr Malindi O.T - MPAC Chairperson

Cllr Lieba P

Cllr Madondo L.M

Cllr Netshipise L

Cllr Mamushiana TD

Cllr Ramaano L.P

Cllr Tshigwili T

Cllr Mandiwana N.E

Cllr Nemaranzhe K

Cllr Phalanndwa NR

Cllr Nelufhangani T L

Cllr Sengani M.P

Cllr Tuwani TT - MPAC member

Cllr Nenzhelele N

Cllr Munenyiwa ME

Cllr Maphiri T B

Cllr Hlumulu FM

Cllr Mathambo R

Cllr Munyai NG

Cllr Gundula T.G

Cllr Netshishivhe AA

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Cllr Mabuda M G
Cllr Muditambi MM
Cllr Padelane TS
Cllr Ndou N F - MPAC member
Cllr Malaka M G
Cllr Nelushi TA - MPAC member
Cllr Davhana AJ
Cllr Tharaga MD - MPAC member
Cllr Mutandanyi VV - MPAC member
Cllr Shitiba TV
Cllr Mphaphuli M
Cllr Netangaheni NP
Cllr Makungo TG
Cllr Madzivhandila M
Cllr Ramashia MP
Cllr Munyai TT - MPAC Member
Cllr Singo L - MPAC member
Cllr Rasendedza AM
Cllr Mbulaheni N
Cllr Mulaudzi NS
Cllr Nemalegeni TJ
Cllr Mawelelewele TM
Cllr Magatshavha SO
Cllr Mawela PE
Cllr Ramanala VM - Deceased December 2019
Cllr Mulaudzi M M - Deceased September 2019
Cllr Muedi ET
Cllr Mundalamo M
Cllr Tshishonge DE
Cllr Maphaha NF
Cllr Magoda TP - MPAC member
Cllr Marole RT - MPAC member
Cllr Mashathini MH
Cllr Nemudzivhadi AS
Cllr Grace Tshililo
Cllr Nemugumoni T
Cllr Mashawana NE
Cllr Matambela NP
Cllr Sadiki CS
Cllr Tshikalange NT - MPAC member
Cllr Makatu A M
Cllr Ramulongo MB
Cllr Dzhalagome MG
Cllr Kwindi SC
Cllr Davhana AJ
Cllr Ramulifho HB - MPAC member
Cllr Nemadzivhanani FE - MPAC member
Cllr Netshifhefhe M
Cllr Ligaraba MJ
Cllr Nemaranzhe K

Thulamela Local Municipality

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General Information

Grading of local authority	4
Chief Finance Officer (CFO)	Tshivule MM 015 962 7515 tshivulemm@thulamela.gov.za
Accounting Officer	Maluleke HE
Business address	Old Agrieven building Thohoyandou 0950
Postal address	Private bag X5066 Thohoyandou 0950
Bankers	First National Bank
Auditors	Auditor General South Africa Registered Auditors
Attorneys	Nengwekhulu Tshiwandala Incorporated Makhuvha E.M Attorneys Tshitangano Attorneys TT Ngobeni Attorneys NRM Attorneys Verveen Attorneys Rambevha Morabane Mudau and Netshipise Attorneys Inc Madima M Attorneys Inc Phungo Inc Khathutshelo A Mainganye Attorneys Tshiredo Attorneys

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IMFO	Institute of Municipal Finance Officers
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

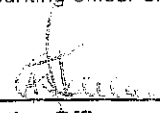
The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2021 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The accounting officer certify that the salaries, allowances and benefits of councillor's as disclosed in note 28 and 29 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors..

The annual financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the accounting officer on 31 October 2020 and were signed on its behalf by:



Accounting Officer
Maluleke HE

Thulamela Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Position as at 30 June 2020

Figures in Rand	Note(s)	2020	2019 Restated*
Assets			
Non-Current Assets			
Property, plant and equipment	4	1 577 061 293	1 482 024 456
Intangible assets	5	249 657	441 856
		1 577 310 950	1 482 466 312
Current Assets			
Inventories	6	29 007 924	33 338 448
Receivables from exchange transactions	7	34 147 090	22 285 731
Receivables from non-exchange transactions	8	15 927 447	5 972 867
Cash and cash equivalents	9	647 396 794	537 462 185
		726 479 255	599 059 231
Total Assets		2 303 790 205	2 081 525 543
Liabilities			
Non-Current Liabilities			
Employee benefit obligation	10	12 564 804	11 776 921
Provisions	11	31 334 703	28 753 385
		43 899 507	40 530 306
Current Liabilities			
Payables from exchange transactions	12	67 156 864	76 974 109
VAT payable	13	29 118 363	21 604 716
Consumer deposits	14	343 882	277 649
Employee benefit obligation	10	1 264 729	801 827
Provisions	11	23 419 396	17 230 576
		121 303 234	116 888 877
Total Liabilities		165 202 741	157 419 183
Net Assets		2 138 587 464	1 924 106 360
Accumulated surplus		2 138 587 464	1 924 106 360

* See Note 2 & 44

Thulamela Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019 Restated*
Revenue			
Revenue from exchange transactions			
Sale of goods	15	1 888 149	2 111 930
Service charges	16	23 509 033	20 676 888
Rendering of services	17	8 059 248	11 437 953
Rental of facilities and equipment	18	3 911 692	1 903 667
Agency services	19	9 113 041	12 957 842
Licences and permits	20	911 771	507 693
Commissions received	21	27 409	29 571
Other income	22	6 834 096	4 542 261
Finance income	23	61 165 133	58 268 792
Total revenue from exchange transactions		115 419 572	112 436 597
Revenue from non-exchange transactions			
Property rates	24	101 760 620	60 975 826
Government grants & subsidies	25	580 091 000	549 635 000
Public contributions and donations	26	9 129	488 000
Fines, Penalties and Forfeits	27	9 381 227	10 456 447
Total revenue from non-exchange transactions		691 241 976	621 555 273
Total revenue		806 661 548	733 991 870
Expenditure			
Employee related costs	28	(276 027 352)	(262 051 375)
Remuneration of councillors	29	(30 629 977)	(29 329 841)
Depreciation and amortisation	30	(54 263 582)	(49 654 937)
Finance costs	31	(825 428)	(2 365 070)
Lease rentals on operating lease	32	(3 206 471)	(2 302 292)
Debt Impairment	33	(79 980 992)	(58 899 879)
Bad debts written off		(2 284 569)	(3 733 690)
Contracted services	34	(46 579 740)	(64 819 071)
Transfers and Subsidies	35	(6 637 350)	(6 354 106)
General Expenses	36	(64 268 276)	(76 582 081)
Total expenditure		(564 703 737)	(556 092 342)
Operating surplus		241 957 811	177 899 528
Loss on disposal of assets and liabilities - Asset write off		(2 163 021)	3 429 151
Actuarial gains	10	76 510	90 416
Reversal of impairments (Impairment loss)	37	358 878	(219 819)
Inventories losses/write-downs	6	(926 157)	(5 058 284)
Land write down	4	(2 293 997)	(24 677 154)
Loss on transfer of assets		(22 529 010)	(35 000 000)
		(27 476 797)	(61 435 690)
Surplus for the year		214 481 014	116 463 838

* See Note 2 & 44

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	1 809 947 377	1 809 947 377
Adjustments		
Prior year adjustments	(2 304 855)	(2 304 855)
Balance at 01 July 2018 as restated*	1 807 642 522	1 807 642 522
Changes in net assets		
Surplus for the year	116 463 838	116 463 838
Total changes	116 463 838	116 463 838
Restated* Balance at 01 July 2019	1 924 106 450	1 924 106 450
Changes in net assets		
Surplus for the year	214 481 014	214 481 014
Total changes	214 481 014	214 481 014
Balance at 30 June 2020	2 138 587 464	2 138 587 464
Note(s)		

* See Note 2 & 44

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Cash Flow Statement

Figures in Rand	Note(s)	2020	2019 Restated*
Cash flows from operating activities			
Receipts			
Cash receipts from taxes and service charges		24 335 161	23 926 756
Grants		580 091 000	549 635 000
Interest income		61 165 133	58 268 792
Sale of goods		1 888 149	2 111 930
Rendering of services		8 059 248	11 427 143
Rental of facilities and equipment		3 911 692	1 903 667
Agency services		9 113 041	12 957 842
Licences and permits		911 771	507 693
Comissions received		27 409	29 571
Fines, Penalties and Forfeits		8 103 527	8 579 667
Other Income		4 399 329	6 301 201
		702 005 460	675 649 262
Payments			
Employee costs		(298 753 954)	(291 743 955)
Suppliers		(138 933 654)	(182 420 827)
Finance costs		(825 428)	(2 328 943)
		(438 513 036)	(476 493 725)
Net cash flows from operating activities	39	263 492 424	199 155 537
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(153 557 815)	(141 387 078)
Cash flows from financing activities			
Finance lease payments		-	(578 475)
Net increase/(decrease) in cash and cash equivalents		109 934 609	57 189 984
Cash and cash equivalents at the beginning of the year		537 462 185	480 272 201
Cash and cash equivalents at the end of the year	9	647 396 794	537 462 185

* See Note 2 & 44

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Sale of goods	2 600 000	1 275 000	3 875 000	1 888 149	(1 986 851)	Refer to Note 53
Service charges	46 507 750	(22 196 750)	24 311 000	23 509 033	(801 967)	Less than 10%
Rendering of services	28 642 811	(14 498 039)	14 144 772	8 059 248	(6 085 524)	Refer to Note 53
Rental of facilities and equipment	4 500 500	1 499 500	6 000 000	3 911 692	(2 088 308)	Refer to Note 53
Agency services	20 000 000	(9 000 000)	11 000 000	9 113 041	(1 886 959)	Refer to Note 53
Licences and permits	2 000 000	(1 395 000)	605 000	911 771	306 771	Refer to Note 53
Commissions received	25 000	(8 000)	17 000	27 409	10 409	Refer to Note 53
Other income	2 189 990	4 528 375	6 718 365	6 834 096	115 731	Refer to Note 53
Finance cost	62 800 000	7 000	62 807 000	61 165 133	(1 641 867)	Less than 10%
Total revenue from exchange transactions	169 266 051	(39 787 914)	129 478 137	115 419 572	(14 058 565)	

Revenue from non-exchange transactions

Property rates	70 190 220	27 489 365	97 679 585	101 760 620	4 081 035	Less than 10%
Government grants & subsidies	579 942 000	149 000	580 091 000	580 091 000	-	
Public contributions and donations	-	-	-	9 129	9 129	Refer to Note 53
Fines, Penalties and Forfeits	27 513 240	(8 999 660)	18 513 580	9 381 227	(9 132 353)	Less than 10%
Total revenue from non-exchange transactions	677 645 460	18 638 705	696 284 165	691 241 976	(5 042 189)	
Total revenue	846 911 511	(21 149 209)	825 762 302	806 661 548	(19 100 754)	

Expenditure

Employee related cost	(274 560 558)	(10 935 584)	(285 496 142)	(275 950 842)	9 545 300	Less than 10%
Remuneration of councillors	(35 199 722)	-	(35 199 722)	(30 629 977)	4 569 745	Refer to Note 53
Depreciation and amortisation	(58 000 000)	2 240 000	(55 760 000)	(54 263 582)	1 496 418	Less than 10%
Impairment loss/ Reversal of impairments	-	(500 000)	(500 000)	358 878	858 878	Refer to Note 53
Finance costs	-	(950 000)	(950 000)	(825 428)	124 572	Refer to Note 53
Lease rentals on operating lease	(3 500 000)	-	(3 500 000)	(3 206 471)	293 529	Less than 10%
Debt Impairment	(80 533 007)	483 007	(80 050 000)	(79 980 992)	69 008	Less than 10%
Bad debts written off	(8 500 000)	5 550 000	(2 950 000)	(2 284 569)	665 431	Refer to Note 53
Contracted Services	(106 433 201)	29 155 912	(77 277 289)	(46 579 740)	30 697 549	Refer to Note 53
Transfers and Subsidies	(13 460 000)	(1 500 000)	(14 960 000)	(6 637 350)	8 322 650	Refer to Note 53

Thulamela Local Municipality

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
General Expenses	(82 782 021)	4 817 581	(77 964 440)	(64 344 786)	13 619 654	Refer to Note 53
Total expenditure	(662 968 509)	28 360 916	(634 607 593)	(564 344 859)	70 262 734	
Operating surplus	183 943 002	7 211 707	191 154 709	242 316 689	51 161 980	
Loss on disposal of assets and liabilities	-	(20 105 000)	(20 105 000)	(4 457 013)	15 647 987	Refer to Note 53
Inventories losses/write-downs	-	(2 000 000)	(2 000 000)	(926 157)	1 073 843	Refer to Note 53
	-	(22 105 000)	(22 105 000)	(5 383 170)	16 721 830	
Surplus before taxation	183 943 002	(14 893 293)	169 049 709	236 933 519	67 883 810	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	183 943 002	(14 893 293)	169 049 709	236 933 519	67 883 810	

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Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for the foreseeable future.

1.3 Property, plant and equipment

Initial recognition and measurement

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

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Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.3 Property, plant and equipment (continued)

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Subsequent measurement- Cost Model.

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it meets the recognition criteria of Property, Plant and equipment.

Depreciation and impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives to their estimated residual values. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. Land is not depreciated as it is deemed to have an indefinite useful life.

The depreciation rates are based on the following estimated average asset useful lives:

Item	Depreciation method	Average useful life
Plant and machinery	Straight line	4 - 20 years
Motor vehicles	Straight line	10 - 19 years
Furniture and Office equipment	Straight line	4 - 23 years
Computer equipment	Straight line	2 - 23 years
Office equipment	Straight line	3 - 5 years
Roads and Stormwater Infrastructure	Straight line	10 - 80 years
Community and buildings	Straight line	10 - 60 years

The residual value and the useful life of an asset shall be reviewed at least at each reporting date and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.4 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

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Accounting Policies

1.4 Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.5 Intangible assets

Initial recognition and measurement

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are initially recognised at cost. An intangible asset acquired at no or nominal cost, the cost is deemed to be equal to its fair value as at the date of acquisition. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

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Accounting Policies

1.5 Intangible assets (continued)

Subsequent measurement-Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

Amortisation and impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software

The amortisation period, residual values and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, other	Straight line	5 - 10 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 3).

Derecognition

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised.

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1.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class

- Receivables from exchange transactions
- Receivables from non-exchange transactions
- Cash and cash equivalents
- VAT receivables
- Other receivables

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class

- Payables from exchange transactions
- VAT payables
- Consumer deposits
- Employee benefit obligation
- Provisions

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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Accounting Policies

1.6 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment of Financial Instruments

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

Offsetting

A financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, an entity:

- currently has a legally enforceable right to set off the recognised amounts; and
- intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.

Derecognition

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

An entity shall remove a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

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Accounting Policies

1.7 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

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Accounting Policies

1.7 Statutory receivables (continued)

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

In estimating the future cash flows, an municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognise the receivable; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

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Accounting Policies

1.8 Leases (continued)

Finance leases - lessee

Initial Recognition and Measurement

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the lessee's incremental borrowing rate shall be used. Any initial direct costs of the lessee are added to the amount recognised as an asset.

Subsequent Measurement

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.9 Inventories

Initial recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process. Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired (including land held for sale).

Subsequent measurement

Subsequently, inventories are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

The cost of inventories is assigned using the weighted average cost formula (excluding land held for sale). The same cost formula is used for all inventories having a similar nature and use to the municipality.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

Redundant and slow-moving inventories are identified and written down in this way. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Derecognition

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

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Accounting Policies

1.10 Employee benefits

Short-term employee benefits

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;

Recognition and measurement

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.
- Non-accumulating compensated absences do not carry forward: they lapse if the current reporting period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the entity. This is the case for sick leave, maternity or paternity leave. For these short-term benefits the entity recognises no liability or expense until the time of the absence, because employee service does not increase the amount of the benefit.

Bonus, incentive and performance related payments

The entity recognises the expected cost of bonus, incentive and performance related payments when, and only when:

- the entity has a present legal or constructive obligation to make such payments as a result of past events and
- a reliable estimate of the obligation can be made.
- A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits: Defined contribution plans

Post-employment benefit plans are classified as either defined contribution plans or defined benefit plans, depending on the economic substance of the plan as derived from its principal terms and conditions. In order to be classified as a defined contribution plan a post-employment benefit plan must require the entity to pay fixed contributions into a separate entity.

Recognition and measurement

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted they shall be discounted using the discount rate specified.

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Accounting Policies

1.10 Employee benefits (continued)

Other long-term employee benefits

Other long-term employee benefits may include, for example:

- long-term compensated absences such as long service or sabbatical leave;
- other long service benefits;
- long-term disability benefits;
- bonus, incentive and performance related payments payable twelve months or more after the end of the reporting period in which the employees render the related service;
- deferred compensation paid twelve months or more after the end of the reporting period in which it is earned; and
- compensation payable by the entity until an individual enters new employment.

Recognition and measurement

The amount recognised as a liability for other long-term employee benefits shall be the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly

1.11 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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Accounting Policies

1.11 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy.
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

1.12 Commitments

Commitment is the amount that has been committed but not yet incurred. It is the difference between the contracted amount and the actual expenditure as at year end. This amount is disclosed on the Notes to the Annual Financial Statement.

1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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Accounting Policies

1.13 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.14 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

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Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Property rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured.

The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are not recognised.

1.15 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.16 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

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Accounting Policies

1.17 Accounting by principals and agents (continued)

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement. The revenue is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services. Collection charges are recognised when incurred.

1.18 Comparative figures

When the presentation or classification of items in the financial statements is amended, comparative amounts are reclassified, unless the reclassification is impracticable. When comparative amounts are reclassified, the following is disclosed:

- the nature of the reclassification;
- the amount of each item or class of items that is reclassified; and
- the reason for the reclassification.

When it is impracticable to reclassify comparative amounts, the following is disclosed:

- the reason for not reclassifying the amounts; and
- the nature of the adjustments that would have been made if the amounts had been reclassified.

Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly, where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Thulamela Local Municipality

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Accounting Policies

1.19 Unauthorised expenditure

Unauthorised expenditure is expenditure that has been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in term of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance

1.20 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance .

1.21 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 Budget information

Presentation of a comparison of the budget amounts for which it is held publicly accountable and actual amounts is presented as a separate additional financial statement. The comparison of budget and actual amounts is present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

1.23 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality discloses:

- The aggregate remuneration of key management personnel and the number of individuals, determined on a full-time equivalent basis, receiving remuneration within this category, showing separately major classes of key management personnel and including a description of each class;
- The total amount of all other remuneration and compensation provided to key management personnel, and close members of the family of key management personnel, by the municipality.

1.24 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

Thulamela Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.24 Events after reporting date (continued)

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.25 Value Added Tax

The municipality applies the payment basis for VAT purposes as per the Value-Added Tax Act. Output tax is paid to SARS as and when the purchase consideration are received and input will be claimed as and when payment is made.

1.26 Long term debtors

Long term debtors are debtors that are receivable for a period exceeding 12 months from year end. These debtors arise from the payment agreement between the customer and the Municipality.

1.27 Contingent Liabilities

A contingent liability is:(a) a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or(b) a present obligation that arises from past events but is not recognised because:(i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or(ii) the amount of the obligation cannot be measured with sufficient reliability.

1.28 General expenses

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrence's of liabilities that result in decreases in net assets, other than those relating to distributions to owners.

Recognition and measurement

Expenses are recognised on an accrual basis.

This means a basis of accounting under which transactions are recognised when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions are recorded in the accounting records and recognised in the financial statements of the periods to which they relate.

Expenses are measured based on the invoice amount, excluding VAT where relevant.

1.29 Accumulated Surplus

The municipality's surplus or deficit for the year is accounted in the accumulated surplus reserve in the statement of changes in net assets.

Thulamela Local Municipality

Annual Financial Statements for the year ended 30 June 2020

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2. Changes in accounting policy

An accounting policy is changed only if the change:

- is required by a Standard of GRAP; or
- results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows.

A change in accounting policy is applied retrospectively, except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the change. When it is impracticable to determine the period-specific effects of changing an accounting policy on comparative information for one or more prior periods presented, the entity shall apply the new accounting policy to the carrying amounts of assets and liabilities as at the beginning of the earliest period for which retrospective application is practicable, which may be the current period, and shall make a corresponding adjustment to the opening balance of each affected component of net assets for that period.

When it is impracticable to determine the cumulative effect, at the beginning of the current period, of applying a new accounting policy to all prior periods, the entity shall adjust the comparative information to apply the new accounting policy prospectively from the earliest date practicable.

Change in accounting estimates

The effect of a change in an accounting estimate is recognised prospectively by including it in surplus or deficit in:

The effect of a change in an accounting estimate is recognised prospectively by including it in surplus or deficit in:

- the period of the change, if the change affects that period only; or
- the period of the change and future periods, if the change affects both.

To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, or relates to an item of net assets, it is recognised by adjusting the carrying amount of the related asset, liability or item of net assets in the period of the change.

Errors

A prior period error is corrected by retrospective restatement except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the error. When it is impracticable to determine the period-specific effects of an error on comparative information for one or more prior periods presented, the opening balances of assets, liabilities and net assets are restated for the earliest period for which retrospective restatement is practicable (which may be the current period). When it is impracticable to determine the cumulative effect, at the beginning of the current period, of an error on all prior periods, the comparative information is restated to correct the error prospectively from the earliest date practicable.

3. New standards and interpretations

3.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">• Directive 13: Transitional Provisions for the Adoption of Standards of GRAP by Community Education and Training (CET) Colleges	01 April 2019	The impact of the is not material.
<ul style="list-style-type: none">• Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme	01 April 2019	The impact of the is not material.
<ul style="list-style-type: none">• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2019	The impact of the is not material.
<ul style="list-style-type: none">• GRAP 7 (as revised 2010): Investments in Associates	01 April 2019	The impact of the is not material.
<ul style="list-style-type: none">• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2019	The impact of the is not material.

Thulamela Local Municipality

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3. New standards and interpretations (continued)

• Directive 7 (revised): The Application of Deemed Cost	01 April 2019	The impact of the is not material.
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2019	The impact of the is not material.
• GRAP 20: Related parties	01 April 2019	The impact of the is not material.
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2019	The impact of the is not material.
• GRAP 105: Transfers of functions between entities under common control	01 April 2019	The impact of the is not material.
• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	01 April 2019	The impact of the is not material.
• GRAP 107: Mergers	01 April 2019	The impact of the is not material.
• GRAP 108: Statutory Receivables	01 April 2019	The adoption of this has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements
• GRAP 109: Accounting by Principals and Agents	01 April 2019	The adoption of this has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements
• IGRAP 11: Consolidation – Special purpose entities	01 April 2019	The impact of the is not material.
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2019	The impact of the is not material.
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2019	The impact of the is not material.
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	The impact of the is not material.
• IGRAP 19: Liabilities to Pay Levies	01 April 2019	The impact of the is not material.

3.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2020 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 34: Separate Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2020	Unlikely there will be a material impact

Thulamela Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

• GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Unlikely there will be a material impact

Thulamela Local Municipality

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4. Property, plant and equipment

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	123 455 579	-	123 455 579	125 752 474	-	125 752 474
Plant and machinery	8 313 506	(2 465 515)	5 847 991	6 743 923	(2 027 662)	4 716 261
Furniture and fixtures	15 747 368	(8 698 658)	7 048 710	16 072 436	(7 479 456)	8 592 980
Motor vehicles	77 620 807	(17 960 340)	59 660 467	77 620 807	(12 196 803)	65 424 004
Computer equipment	13 608 965	(7 033 135)	6 575 830	12 886 315	(5 852 868)	7 033 447
Finance lease	-	-	-	4 424 659	(4 424 659)	-
Roads and Stormwater Infrastructure	1 398 967 148	(398 555 708)	1 000 411 442	1 264 020 162	(366 662 491)	897 357 671
Community	400 819 652	(87 309 974)	313 509 678	391 258 025	(80 116 802)	311 141 223
Solid waste infrastructure	33 887 098	(11 488 314)	22 398 784	31 533 176	(9 228 446)	22 304 730
Electricity infrastructure	48 366 239	(10 213 427)	38 152 812	49 250 016	(9 548 350)	39 701 666
Total	2 120 786 362	(543 725 069)	1 577 061 293	1 979 561 993	(497 537 537)	1 482 024 456

Thulamela Local Municipality

Annual Financial Statements for the year ended 30 June 2020

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers received	Transfers made	Land write down	Depreciation	Impairment loss	Impairment reversal	Total
Land	125 752 474	-	-	-	(2 903)	(2 293 992)	-	-	-	123 455 579
Plant and machinery	4 716 261	2 244 551	(384 242)	-	-	-	(728 579)	-	-	5 847 991
Furniture and fixtures	8 592 980	319 914	(308 980)	-	-	-	(1 551 147)	(4 057)	-	7 048 710
Motor vehicles	65 424 004	-	-	-	-	-	(5 763 537)	-	-	59 660 467
Computer equipment	7 033 447	1 103 019	(96 558)	-	-	-	(1 464 078)	-	-	6 575 830
Roads and Stormwater Infrastructure	897 357 671	136 152 809	(616 606)	56 168 911	(56 168 911)	-	(32 845 367)	-	362 935	1 000 411 442
Community	311 141 223	11 383 601	(476 615)	2 730 855	(3 079 597)	-	(8 189 789)	-	-	313 509 678
Solid waste infrastructure	22 304 730	2 353 921	-	-	-	-	(2 259 867)	-	-	22 398 784
Electricity infrastructure	39 701 666	25 430 000	(25 709 863)	-	-	-	(1 268 991)	-	-	38 152 812
	1 482 024 456	178 987 815	(27 592 864)	58 899 766	(59 251 411)	(2 293 992)	(54 071 355)	(4 057)	362 935	1 577 061 293

Thulamela Local Municipality

Annual Financial Statements for the year ended 30 June 2020

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers received	Transfers made	Land Write down	Depreciation	Impairment loss	Total
Land	151 239 848	-	(810 220)	-	-	(24 677 154)	-	-	125 752 474
Plant and machinery	3 792 988	1 578 745	(22 625)	-	-	-	(632 847)	-	4 716 261
Furniture and fixtures	9 761 859	581 948	(185 043)	-	-	-	(1 565 784)	-	8 592 980
Motor vehicles	68 489 706	282 363	(764 977)	-	-	-	(2 583 088)	-	65 424 004
Computer equipment	7 532 111	921 445	(22 629)	-	-	-	(1 397 480)	-	7 033 447
Finance lease	155 973	-	-	-	-	-	(155 973)	-	-
Roads and Stormwater Infrastructure	846 038 175	83 163 712	(15 144)	-	-	-	(31 609 223)	(219 849)	897 357 671
Community	271 025 270	48 531 474	(431 297)	13 558 997	(13 558 997)	-	(7 984 224)	-	311 141 223
Solid waste infrastructure	21 064 587	3 500 010	-	-	-	-	(2 259 867)	-	22 304 730
Electricity infrastructure	38 141 215	37 840 542	(35 008 200)	-	-	-	(1 271 891)	-	39 701 666
	1 417 241 732	176 400 239	(37 260 135)	13 558 997	(13 558 997)	(24 677 154)	(49 460 377)	(219 849)	1 482 024 456

Included under Land are strategic assets held in order to fulfil the municipality's main mandate in the foreseeable future. These assets represent vacant land owned by the municipality for which specific usage has not been determined. The municipality uses the Thulamela Land Use Management Scheme 2006 to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations. In line with Land Use Management Scheme 2006 the land zoned Municipal could be used to develop inter alia:

- Agricultural Buildings
- Agricultural Land
- Nature Conservation
- Recreational
- Reservoir
- Cemetery
- Dumping site
- Taxi Rank
- Taxi holding area

Pledged as security

No assets has been pledged as security.

Thulamela Local Municipality

Annual Financial Statements for the year ended 30 June 2020

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4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Included within Electricity	Included within Solid Waste	Total
Opening balance	145 071 258	109 534 797	3 140 542	5 971 301	263 717 898
Additions/capital expenditure	135 550 603	10 492 419	25 430 000	595 530	172 068 552
Disposal	-	-	(25 430 000)	-	(25 430 000)
Transferred to completed items	(56 168 911)	(3 079 597)	-	-	(59 248 508)
	224 452 950	116 947 619	3 140 542	6 566 831	351 107 942

Thulamela Local Municipality

Annual Financial Statements for the year ended 30 June 2020

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4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within Community	Included within Electricity	Included within Solid Waste	Total
Opening balance	61 907 547	77 591 315	300 000	2 471 291	142 270 153
Additions/capital expenditure	83 163 712	45 502 479	37 840 542	3 500 010	170 006 743
Disposal	-	-	(35 000 000)	-	(35 000 000)
Transferred to completed items	-	(13 558 997)	-	-	(13 558 997)
	145 071 259	109 534 797	3 140 542	5 971 301	263 717 899

Thulamela Local Municipality

Annual Financial Statements for the year ended 30 June 2020

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4. Property, plant and equipment (continued)

Included in Work In Progress (WIP) total carrying value are projects which are taking significantly longer to complete. The total carrying value of such projects is:

Project Name	Class	Source of funding	Carrying value	Reasons for significant delays
Dzwerani Bridge	Roads and Stormwater-WIP	Own	695 685	The project is currently waiting for the community to agree on where the municipality wants to build the bridge.
Lwamondo Zwavhavhli Ring Road	Roads and Stormwater-WIP	Own	1 642 289	Project is on Shelf, feasibility studies done, awaiting funding for implementation.
Makonde Stadium	Community Assets-WIP	Own	45 818 247	The appointed contractor and consultant were terminated due to non-compliance as per the GCC and the Municipality had to re-tender and appointed a new contractor and consultant on the 3rd of November 2017 for the completion of the remaining works. There were also other delays such as dispute, rain, strikes by labourers and also slow progress by the appointed contractor and consultant.
Tshisaulu Riverside Ring Road	Roads and Stormwater-WIP	Own	1 052 967	Project is on Shelf, feasibility studies done, awaiting funding for implementation.
Tshishushuru ring road	Roads and Stormwater-WIP	Own	1 460 788	Project is on Shelf, feasibility studies done, awaiting funding for implementation.
Upgrading of Makwarela Stadium	Community Assets-WIP	MIG	52 404 278	The project had a lot of delays due to various factors such as heavy rainfall, strikes, slow progress on site and the discovery of a fountains.
New Office Building Block sibasa (Traffic)	Community Assets-WIP	Own	10 352 194	Project is on Shelf, feasibility studies and design done, awaiting funding for implementation.

Thulamela Local Municipality

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4. Property, plant and equipment (continued)

Trading Area : Donald Frazer (Vhufuli), Tshilidzini

	Community Assets-WIP	MIG	3 638 724	Delays were caused by one of the beneficiaries on site refusing to relocate, slow progress and poor workmanship by the contractor. The municipality resolved to terminated the services of the contractor. Currently the work done is at 70% stage of completion. The project is now in a bidding stage to get a new service provider to complete the remaining works.
Mukumbani Access Road	Roads and Stormwater-WIP	Own	1 332 064	Project is on Shelf, feasibility studies done, awaiting funding for implementation.
Manilini Access Road	Roads and Stormwater-WIP	Own	1 270 746	Project is on Shelf, feasibility studies done, awaiting funding for implementation.
Shayandima Ext 3 Streets	Roads and Stormwater-WIP	Own	1 310 648	Project is on Shelf, feasibility studies done, awaiting funding for implementation.
Tshilungoma ring road	Roads and Stormwater-WIP	Own	1 314 713	Project is on Shelf, feasibility studies done, awaiting funding for implementation.
Thohoyandou J-Muledane Phase 1	Roads and Stormwater-WIP	Own	1 315 789	Project is on Shelf, feasibility studies done, awaiting funding for implementation.
Construction of Thohoyandou K & K Portion Street	Roads and Stormwater-WIP	Own	1 315 789	Project is on Shelf, feasibility studies done, awaiting funding for implementation.
Thohoyandou J EXT. 1 Ring Road	Roads and Stormwater-WIP	Own	1 301 863	Project is on Shelf, feasibility studies done, awaiting funding for implementation.
Shayandima A and Ext 3 Streets	Roads and Stormwater-WIP	Own	1 315 309	Project is on Shelf, feasibility studies done, awaiting funding for implementation.
Tshivhilundulu bus and Fondwe Clinic Road	Roads and Stormwater-WIP	Own	1 260 180	Project is on Shelf, feasibility studies done, awaiting funding for implementation.

Thulamela Local Municipality

Annual Financial Statements for the year ended 30 June 2020

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4. Property, plant and equipment (continued)

Gundani Landfill Site	Solid Waste-WIP	Own	4 189 468	The project was initially identified as falling under Musina Municipality during the de-establishment of Mutale Municipality, coupled with lack of expertise and capacity of Turnkey Contractor (SMV Consultants).
Lwamondo Teritorial Road	Roads and Stormwater-WIP	Own	1 492 541	Project is on Shelf, feasibility studies done, awaiting funding for implementation.
Thohoyandou M Streetlight	Electricity-WIP	Own	300 000	Project is on Shelf, feasibility studies and design done, awaiting funding for implementation.
Upgrade Mapate Access Road	Roads and Stormwater-WIP	Own	1 086 600	Project is on Shelf, feasibility studies done, awaiting funding for implementation.
Tshindongana-Bashasha Low Level Bridge	Roads and Stormwater-WIP	Own	1 304 335	Project is on Shelf, feasibility studies done, awaiting funding for implementation.
			137 175 217	

Thulamela Local Municipality

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Figures in Rand	2020	2019
4. Property, plant and equipment (continued)		
Expenditure incurred to repair and maintain property, plant and equipment		
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Maintenance of Buildings and Facilities	789 205	1 916 548
Maintenance of Equipment	3 777 659	4 998 512
Maintenance of Unspecified Assets	3 507 863	14 781 188
	8 074 727	21 696 248

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

There are no assets pledged as security.

Thulamela Local Municipality

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5. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2 065 907	(1 816 250)	249 657	4 188 251	(3 746 395)	441 856

Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Total
Computer software, other	441 856	(192 199)	249 657

Reconciliation of intangible assets - 2019

	Opening balance	Amortisation	Total
Computer software, other	636 418	(194 562)	441 856

Pledged as security

No intangible assets has been pledged as security.

Thulamela Local Municipality

Annual Financial Statements for the year ended 30 June 2020

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6. Inventories		
Consumable stores	7 342 236	10 068 440
Unsold Properties Held for Resale	22 591 845	28 328 292
	29 934 081	38 396 732
Inventories (write-downs)	(926 157)	(5 058 284)
	29 007 924	33 338 448

Unsold Sites were written down to Net Realisable Value (NRV) of R1 each during the current year due to illegal occupation of sites owned by the municipality.

The total value of the write-down is shown on the face of the Statement of Financial Performance as (R926 157: 2020) as of 30 June 2020 (2019: R5 058 284).

Inventory pledged as security

No inventory has been pledged as security.

7. Receivables from exchange transactions

Other debtors	1 777 708	3 171 089
Sundry debtors	978 121	-
Consumer debtors - Gross balance Refuse	95 449 786	100 628 223
Consumer debtors - Allowance for Impairment Refuse	(88 239 986)	(95 722 725)
Consumer debtors - Gross balance Service charges	320 135 826	291 477 208
Consumer debtors - Allowance for Impairment Service charges	(295 954 365)	(277 268 064)
	34 147 090	22 285 731

Thulamela Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
7. Receivables from exchange transactions (continued)		
Total receivables from exchange transactions	34 147 090	22 285 731
Sundry Debtors		
Current (0 -30 days)	81 208	-
31 - 60 days	76 787	-
61 - 90 days	76 787	-
91 - 120 days	152 741	-
121 - 365 days	590 598	-
	978 121	-
Refuse		
Current (0 -30 days)	2 618 579	1 611 987
31 - 60 days	2 382 635	1 450 762
61 - 90 days	2 344 589	1 386 244
91 - 120 days	2 318 879	1 337 628
121 - 365 days	14 132 218	94 841 602
> 365 days	71 652 885	-
	95 449 785	100 628 223
Reconciliation of allowance for impairment - Refuse		
Opening balance	(95 722 725)	(44 732 836)
Provision for impairment	7 482 739	(50 989 889)
	(88 239 986)	(95 722 725)
Service charges		
Current (0 -30 days)	1 763 947	3 822 452
31 - 60 days	1 745 046	3 239 001
61 - 90 days	1 739 546	2 964 935
91 - 120 days	1 936 113	2 862 342
121 - 365 days	13 591 960	278 588 478
> 365 days	299 359 215	-
	320 135 827	291 477 208
Reconciliation of allowance for impairment - Service charges		
Opening balance	(277 268 063)	(289 571 439)
Provision for impairment	(18 686 302)	12 303 376
	(295 954 365)	(277 268 063)

Thulamela Local Municipality

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7. Receivables from exchange transactions (continued)		
Summary of receivables from exchange transactions by customer classification		
Consumers (residential)		
Current (0 -30 days)	2 984 165	1 478 554
31 - 60 days	2 944 212	1 359 432
61 - 90 days	2 920 316	990 067
91 - 120 days	2 913 963	974 166
121 - 365 days	337 635 031	49 913 081
	349 397 687	54 715 300
Industrial/Commercial		
Current (0 -30 days)	1 267 745	3 704 237
31 - 60 days	1 065 365	3 165 343
61 - 90 days	1 048 442	3 230 733
91 - 120 days	1 201 877	3 103 457
121 - 365 days	55 292 641	318 363 729
	59 876 070	331 567 499
National and provincial Government		
Current (0 -30 days)	130 616	251 648
31 - 60 days	118 103	164 987
61 - 90 days	115 377	130 380
91 - 120 days	139 151	122 347
121 - 365 days	5 808 606	5 153 270
	6 311 853	5 822 632
Total consumer debtors		
Current (0 -30 days)	4 382 526	5 434 438
31 - 60 days	4 127 681	4 689 763
61 - 90 days	4 084 135	4 351 180
91 - 120 days	4 254 992	4 199 970
121 - 365 days	398 736 278	373 430 000
	415 585 612	392 105 351
Less: Allowance for impairment	(384 194 351)	(372 990 789)
	31 391 261	19 114 562

Thulamela Local Municipality

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Figures in Rand	2020	2019
8. Receivables from non-exchange transactions		
Traffic fines	29 334 533	28 056 833
Allowance for impairment - Traffic fines	(27 574 461)	(27 451 497)
Consumer debtors - Property Rates	187 560 394	110 106 083
Consumer debtors - Allowance for impairment Property Rates	(173 393 019)	(104 738 552)
	15 927 447	5 972 867

Included in above is receivables from non-exchange transactions

Traffic Fines	1 760 072	605 336
Property Rates	14 167 375	5 367 531
	15 927 447	5 972 867

Net balance	15 927 447	5 972 867
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Traffic Fines Debtors

Current (0 -30 days)	47 200	154 000
31 - 60 days	37 400	330 500
61 - 90 days	63 400	202 500
91 - 120 days	418 100	147 400
121 - 365 days	28 768 433	27 222 433
	29 334 533	28 056 833

Reconciliation of allowance for impairment - Traffic fines

Opening balance	(27 451 497)	(24 837 169)
Provision for impairment	(122 964)	(2 614 328)
	(27 574 461)	(27 451 497)

Property Rates

Current (0 -30 days)	16 314 179	4 571 898
31 - 60 days	6 816 962	2 879 674
61 - 90 days	6 691 778	2 409 638
91 - 120 days	6 590 703	2 931 898
121 - 365 days	38 651 740	97 312 975
> 365 days	112 495 032	-
	187 560 394	110 106 083

Reconciliation of allowance for impairment - Property Rates

Balance at beginning of the year	(104 738 552)	(87 139 514)
Contributions to allowance	(68 654 467)	(17 599 038)
	(173 393 019)	(104 738 552)

Thulamela Local Municipality

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Figures in Rand	2020	2019
8. Receivables from non-exchange transactions (continued)		
Summary of receivables from non-exchange by customer classification		
Consumers/Residential		
Current (0 -30 days)	10 492 201	1 817 636
31 - 60 days	3 491 871	1 717 516
61 - 90 days	3 417 509	1 638 687
91 - 120 days	3 357 383	1 976 953
121 - 365 days	98 150 557	65 266 572
	118 909 521	72 417 364
Industrial/ commercial		
Current (0 -30 days)	4 079 705	2 178 068
31 - 60 days	1 696 768	708 542
61 - 90 days	1 661 877	553 911
91 - 120 days	1 647 554	748 531
121 - 365 days	30 495 189	21 703 397
	39 581 093	25 892 449
National and provincial government		
Current (0 -30 days)	1 742 273	576 194
31 - 60 days	1 628 323	453 615
61 - 90 days	1 612 392	217 040
91 - 120 days	1 585 766	206 414
121 - 365 days	22 501 026	10 343 006
	29 069 780	11 796 269
Total		
Current (0 -30 days)	16 314 179	4 571 898
31 - 60 days	6 816 962	2 879 674
61 - 90 days	6 691 778	2 409 638
91 - 120 days	6 590 703	2 931 898
121 - 365 days	151 146 772	97 312 975
	187 560 394	110 106 083
Less: Allowance for impairment	(173 393 019)	(104 738 552)
	14 167 375	5 367 531
Statutory receivables included in receivables from non-exchange transactions above are as follows, on a gross basis:		
Fines	29 334 533	28 056 833
Property Rates: Communal Land: Business and Commercial	44 035 605	19 977 821
Property Rates: Communal Land: Residential	107 342 360	72 139 388
Property Rates: Formal and Informal Settlements	3 147 382	3 069 238
Property Rates: Municipal Properties	99 454	206 481
Property Rates: Privately Owned Towns Serviced by the Owner	51 663	167 373
Property Rates: Public Benefit Organisations	11 342	(185 629)
Property Rates: Special Rating Area	203 418	(7 824)
Property Rates: State-owned Properties: Provincial Government	25 476 289	8 546 622
Property Rates: Agricultural Properties	111 301	50 972
Property Rates: Multiple Purposes	7 081 581	6 141 640
	216 894 928	138 162 915

Thulamela Local Municipality

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8. Receivables from non-exchange transactions (continued)

Statutory receivables included in receivables from non-exchange transactions above are as follows, net of impairment:

Fines	1 760 072	605 336
Property Rates: Communal Land: Business and Commercial	3 326 230	1 007 224
Property Rates: Communal Land: Residential	8 108 106	3 637 059
Property Rates: Formal and Informal Settlements	237 737	154 743
Property Rates: Municipal Properties	7 512	10 410
Property Rates: Privately Owned Towns Serviced by the Owner	3 902	8 438
Property Rates: Public Benefit Organisations	857	(185 629)
Property Rates: Special Rating Area	15 365	(7 824)
Property Rates: State-owned Properties: Provincial Government	1 924 352	430 896
Property Rates: Agricultural Properties	8 407	2 570
Property Rates: Multiple Purposes	534 907	309 644
	15 927 447	5 972 867

Total receivables from non-exchange transactions	15 927 447	5 972 867
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Statutory receivables impaired

As of 30 June 2020, Statutory receivables of R216 894 928 (2019: R138 162 915) were impaired and provided for.

The amount of the provision was R(200 967 480) as of 30 June 2020 (2019: R(132 190 049)).

The ageing of these statutory receivables is as follows:

1 month past due	16 361 379	5 337 508
2 months past due	6 854 362	3 808 306
3 months past due	6 755 178	3 204 869
3 to 6 months	19 075 013	9 294 347
Over 6 months	167 848 994	116 517 887

Reconciliation of provision for impairment for statutory receivables

Opening balance	(132 190 048)	(111 976 682)
Provision for impairment	(68 777 431)	(20 213 366)
	(200 967 479)	(132 190 048)

Thulamela Local Municipality

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Statutory receivables general information

Transaction(s) arising from statute

Traffic fines are governed by Administrative Adjudication of Road Traffic Offences Act, No. 46 of 1998 (AARTO) and National Road Traffic Act, No. 93 of 1996 of South Africa, hence this is therefore recognised as a statutory receivable. The receivable is calculated by determining the value of the fine to be paid on initial recognition, and accounting for subsequent measurement by taking into account reductions and discounts made to the value of the fine payable in terms of the court of law. No interest is charged on outstanding fines, and any additional penalties applied by the court is paid by the offender to the court directly, and is therefore not considered to be revenue for the municipality.

Property rates is levied in terms of the Municipal Property Rates Act 6 of 2004, hence this is therefore recognised as a statutory receivable. The receivable is calculated by applying the Council approved rates randages against the valuation of individual properties within the municipality jurisdiction. Council approved rebates and exemptions are further applied to reduce the receivable.

Basis used to assess and test whether a statutory receivable is impaired

The estimate were determined by the judgment of the management of the municipality, supplemented by experience of past practices and statistics in relation to uncollectable debt. The effects of the time value of money has been ignored due to the fact that the debt is immediately payable.

In assessing whether statutory receivables are impaired, management assessed whether there are any indications that:

- (a) Individually significant receivables are impaired; and/or
- (b) Groups of similar, individually insignificant, receivables are impaired.

The total debtors were separated into groups of similar receivables with similar risk profiles and assessed for impairment. Where a specific group of debtors was deemed to be fully recoverable then those receivables were not included in the assessment, an example of this is debt owed by government entities.

The grouping was based on the type of debtor, i.e. government, business, residential, employees and councillors, exhibiting similar characteristics which provide information about the possible collectability of the amounts owing to the municipality.

In estimating the future cash flows, management considered both the amount and timing of the cash flows that it will receive in future. In line with par 12 of the Credit Control Policy, the municipality does not see itself as a credit provision institution and hence the effect of the time value of money is not considered as all outstanding amounts are immediately payable.

In determining the amount impaired, management estimates the cash flows that it expects to collect based on facts and circumstances at the reporting date.

The future cash flows of a group of receivables that were individually or collectively evaluated for impairment were estimated using historical experience. For this purpose management adopted the payment pattern of each receivable over the previous 12 months as the most appropriate methodology as it reflects the amount likely to be collected in future.

The impairment loss was measured as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the receivable, or group of statutory receivables, shall be reduced, either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit.

Impairment of traffic fine debtors were based on historical payment trend.

Statutory debtors pledged as security

No statutory debtors were pledged as security in current financial year.

Thulamela Local Municipality

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Figures in Rand	2020	2019
9. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	198 640 552	116 030 722
Short-term deposits	447 168 122	419 909 301
Money Market	1 588 120	1 522 162
	647 396 794	537 462 185

Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for loan with Post Office	850 000	850 000
Included in the main primary bank account is a guarantee/security of R850 000 to the Post Office. Should the Municipality fail to meet payment obligations with the Post Office the amount will be paid over to the Post Office by the bank.		
Total financial assets pledged as collateral for loan with DBSA	1 062 500	1 062 500
Included in the money market bank account is a guarantee/security of R1 062 500 to the DBSA. Should the Municipality fail to meet payment obligations with DBSA the amount will be paid over to DBSA by the bank.		

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
FNB BANK - CHEQUE - 54660078973	197 933 253	131 126 565	11 001 206	198 640 553	116 030 722	11 246 025
FNB BANK - CALL - 62090588016	259 959 440	185 862 359	228 871 225	259 959 440	185 862 359	228 871 225
FNB BANK - CALL - 62090588793	187 208 681	234 046 942	238 696 534	187 208 681	234 046 942	238 696 534
FNB BANK - MONEY MARKET - 62336900320	1 588 119	1 522 162	1 447 574	1 588 120	1 522 162	1 447 574
Total	646 689 493	552 558 028	480 016 539	647 396 794	537 462 185	480 261 358

The difference between the Cash and cash equivalents balance for the Cheque (primary) account as per the underlying accounting records and the Bank confirmation/certificate is caused by outstanding deposits and payments. These are payments made and receipts received close to year end, therefore, they do not yet reflect in the banking systems.

Outstanding deposits reflecting in the Cashbook and not yet reflecting in the bank as at 30 June 2020 - Cheque Account	756 159.90
Payments reflecting in the bank and not yet reflecting in the cashbook as at 30 June 2020 - Cheque Account	(48 859.90)
Net difference between the Cashbook and Bank Confirmed Balance	707 300.00

Thulamela Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

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10. Employee benefit obligations

Long service awards

Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service.

The municipality provides long-service awards to its permanent employees.

The municipality offers rewards for specified year intervals of completed service.

In accordance with prevailing legislation, the defined benefits funds are actuarially valued at intervals of every year. The Projected Unit Credit Method has been used to value the liabilities. The latest valuation was performed for Thulamela Local Municipality as at 30 June 2020 by qualified experts.

The accumulated defined benefit obligation in respect of the long-service awards are provided, based on calculations of independent actuaries, using methods and assumptions consistent with GRAP 25 (Employee Benefits) as follows:

Long service award relate to the legal obligation to provide long service leave awards. Actuarial benefits have been calculated for 571 eligible employees as at 30 June 2020 that are entitled to long service awards. The long service awards liability is not a funded arrangement. i.e. no separate assets have been set aside to meet this liability.

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(13 829 533)	(12 578 748)
Non-current liabilities	(12 564 804)	(11 776 921)
Current liabilities	(1 264 729)	(801 827)
	(13 829 533)	(12 578 748)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	12 578 748	12 395 762
Benefits paid	(801 827)	(1 957 697)
Net expense recognised in the statement of financial performance	2 052 612	2 140 683
	13 829 533	12 578 748

Net expense recognised in the statement of financial performance

Current service cost	1 142 717	1 055 981
Interest cost	986 405	1 175 118
Actuarial (gains) losses	(76 510)	(90 416)
	2 052 612	2 140 683

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(76 510)	(90 416)
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Thulamela Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
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10. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8.55 %	8.25 %
CPI	3.95 %	4.95 %
Expected increase in salaries	5.95 %	4.95 %
Net Discount Rate	3.43 %	2.17 %
Retirement age (years)	65	65
Mortality	SA85-90	SA85-90

GRAP 25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The methodology of setting financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2019 the duration of liabilities was 6.64 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2020 is 8.55% per annum, and the yield on inflation-linked bonds of a similar term was about 4.43% per annum. This implies an underlying expectation of inflation of 3.95% per annum $([1 + 8.55\%] / [1 + 4.43\%] - 1)$.

We have assumed that salary inflation would exceed general inflation by 1.0% per annum, i.e. 4.95% per annum.

However, it is the relative levels of the discount rate and salary inflation to one another that is important, rather than the nominal values. We have thus assumed a net discount factor of 3.43% per annum $([1 + 8.55\%] / [1 + 4.95\%] - 1)$.

Other assumptions

The valuation bases assume that the salary inflation rate (which manifests itself as the annual increase in employees' salaries which determine the bonuses payable) will be 3.43% less than the corresponding discount rate, in the long term. The effect of a one percent increase and decrease in the salary inflation rates is as follows:

	One percentage point increase	One percentage point decrease
Employer's accrued liability	14 695 170	13 039 900
Employer's current service cost	1 262 070	1 100 442
Employer's interest cost	1 202 370	1 005 010

Amounts for the current and previous four years are as follows:

	2020 R	2019 R	2018 R	2017 R	2016 R
Present value of Defined benefit obligation	(13 829 533)	12 578 748	12 395 762	12 079 000	11 230 579
Experience adjustments on plan liabilities	(76 510)	(90 416)	(335 381)	(151 114)	(165 400)

Thulamela Local Municipality

Annual Financial Statements for the year ended 30 June 2020

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11. Provisions

Reconciliation of provisions - 2020

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	28 753 385	-	2 581 318	31 334 703
Provision for leave	17 230 576	6 188 820	-	23 419 396
	45 983 961	6 188 820	2 581 318	54 754 099

Reconciliation of provisions - 2019

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	26 427 744	-	-	2 325 641	28 753 385
Provision for leave	15 198 163	2 032 413	-	-	17 230 576
Provision for performance bonus	95 634	-	(95 634)	-	-
	41 721 541	2 032 413	(95 634)	2 325 641	45 983 961

Non-current liabilities	31 334 703	28 753 385
Current liabilities	23 419 396	17 230 576
	54 754 099	45 983 961

Environmental rehabilitation provision

The provision for environmental rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of future obligation discounted at 4.38%, which is the Average government bond rate/Interest rate as at June 2020.

Key Assumptions used:

The Remaining Useful life (RUL) of landfill site	6
Commencement date	01-Jul-19
Expiry date	30-Jun-25
CPI	6.61%
Average government bond rate/Interest rate	4.38%

Provision for leave

The Municipality grants its employees either 22 or 24 working days leave per year in recognition of services rendered. Provision is made for employees who are having leave credit at the end of the financial period and is provided up to 48 days in terms of the SALBC agreement. The leave provision is calculated by taking the total basic salary/no of working days per year x number of days unused. The municipality has decided not to assess the provision quarterly, however to calculate the provision for leave towards end of financial year to salvage cost.

Provision for performance bonus

Performance bonus is a benefit paid to executive management after performance assessments have been done and expectation or targets have been met. Performance bonus is calculated as 7% of the total package.

Thulamela Local Municipality

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Figures in Rand	2020	2019
12. Payables from exchange transactions		
Trade payables	8 119 534	27 643 526
Unallocated deposits	1 318 591	3 374 691
Retentions	38 347 732	29 212 164
Accrued bonus	5 567 320	5 168 915
Accruals	2 437 985	2 020 878
Income received in advance	11 365 702	9 542 790
Salary Clearing and Control	-	11 145
	67 156 864	76 974 109
13. VAT payable		
VAT payable	29 118 363	21 604 716
<p>The municipality is registered for VAT on a cash basis with SARS. Vat is paid over to SARS only once the payment is received from debtors and is receivable from SARS once the payment has been made to creditors. The amount above is an accumulation of the accrual and cash basis of taking VAT into account.</p>		
14. Consumer deposits		
Building Plans	296 393	236 762
Rental of facilities	47 489	40 887
	343 882	277 649
<p>In the prior year consumer deposits were combined together with Trade and Other Payables, we have separated it in the current year.</p>		
15. Sale of goods		
Sale of property	1 736 343	1 592 987
Application of Sub-division	82 381	100 068
Tender Documents	69 425	418 875
	1 888 149	2 111 930
16. Service charges		
Solid waste	23 509 033	20 676 888
17. Rendering of services		
Building Plan fees	440 647	749 610
Application of deed grant	185 168	258 743
Advertising	30 514	316 336
Application Fees for Land Usage	215 466	284 354
Selling of sites	6 163 687	9 075 085
Property transfer fees	365 382	439 885
Cemetery and Burials	296 018	222 474
Clearance Certificates	51 233	77 770
Demolition application fees	311 133	13 696
	8 059 248	11 437 953
18. Rental of facilities and equipment		
Facilities and equipment		
Rental of facilities	3 911 692	1 903 667

Thulamela Local Municipality

Annual Financial Statements for the year ended 30 June 2020

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19. Agency services

Vehicle Registration	9 113 041	12 957 842
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Thulamela Local Municipality acts as an implementing agent on behalf of the Department of Transport (Principal) as they administer certain functions on behalf of the Department such as licensing and registration of motor vehicles.

The Municipality would retain a certain portion of all receipts as compensation (agency fees) for administering these services on behalf of the Department.

The Department uses the Municipality and its staff due to the proximity of the Municipality to households.

The Municipality only recognised the net revenues (agency fees) that accrued to it and only the expenditure incurred by the Municipality.

20. Licences and permits (exchange)

Trading	911 771	507 693
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The Trading licences relates to Spaza/Hawker licences.

21. Commissions received

Commissions received	27 409	29 571
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22. Other income

Skills Development Fund refund	943 392	408 493
Sundry revenue	4 045 750	3 569 010
Ticket Rolls	-	192 619
Printing and photocopying	235 184	372 139
Insurance	1 609 770	-
	6 834 096	4 542 261

Included in Other income for prior year was an amount of R418 875 relating to tender documents which has been classified as sale of goods on the face of the Statement of Financial Performance in accordance with mSCOA.

Included in Other income for prior year was an amount of R9 075 085 relating to sale of property which has been classified as rendering of services on the face of the Statement of Financial Performance in accordance with mSCOA.

Included in Other income for prior year was an amount of R29 571 relating to commissions received which has been classified separately as commissions received on the face of the Statement of Financial Performance.

23. Finance income

Finance income

Bank	33 276 934	33 973 701
Interest charged on trade and other receivables	27 888 199	24 295 091
	61 165 133	58 268 792

Thulamela Local Municipality

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24. Property rates

Rates received

Residential	41 657 172	22 190 787
Commercial	31 571 738	25 268 898
State	28 531 710	13 516 141
	101 760 620	60 975 826

Included in State property rates for prior year was an amount of R100 068 relating to application of Sub-division which has been reclassified to sale of goods in the current year.

Valuations

Residential	6 702 726 100	3 864 108 480
Commercial	3 021 411 800	2 145 666 380
State	2 733 845 400	1 142 583 100
Municipal	851 975 100	448 208 100
	13 309 958 400	7 600 566 060

Valuations on land and buildings are performed every five years. The last general valuation came into effect on 1 July 2019. Supplementary valuations are processed on an annual basis to take into account changes in individual property values due to alterations. Municipal rates on the tariff listing is applied to property valuations to determine assessment rates. Rates are levied on a annual basis on property owners.

Thulamela Local Municipality

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25. Government grants and subsidies

Operating grants

Equitable share	442 452 000	391 032 000
Financial Management Grant	1 700 000	1 700 000
Expanded Public Works Programme Grant	7 477 000	6 225 000
Infrastructure Skills Development Grant	3 500 000	1 800 000
Municipal Systems Improvement Grant	-	1 055 000
Municipal Disaster Recovery Grant	149 000	-
Integrated National Electrification Programme	25 430 000	35 000 000
	480 708 000	436 812 000

Capital grants

Municipal Infrastructure Grant	99 383 000	112 823 000
	580 091 000	549 635 000

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	137 639 000	158 603 000
Unconditional grants received	442 452 000	391 032 000
	580 091 000	549 635 000

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R 891 (2019: R 891), which is funded from the grant.

Financial Management Grant

Current-year receipts	1 700 000	1 700 000
Conditions met - transferred to revenue	(1 700 000)	(1 700 000)
	-	-

This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA 2003. All conditions of the grant were met.

Expanded Public Works Programme Grant

Current-year receipts	7 477 000	6 225 000
Conditions met - transferred to revenue	(7 477 000)	(6 225 000)
	-	-

The grant was used for extended public works programs. All conditions of the grant were met.

Infrastructure Skills Development Grant

Current-year receipts	3 500 000	1 800 000
Conditions met - transferred to revenue	(3 500 000)	(1 800 000)
	-	-

The grant was used for skills development related to infrastructure improvements. All the conditions were met.

Municipal Systems Improvement Grant

Thulamela Local Municipality

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25. Government grants and subsidies (continued)

Current-year receipts	-	1 055 000
Conditions met - transferred to revenue	-	(1 055 000)
	-	-

This grant was used to build in house capacity to execute functions and stabilize institutional and governance systems. All conditions of the grant were met.

Municipal Disaster Recovery Grant

Current-year receipts	149 000	-
Conditions met - transferred to revenue	(149 000)	-
	-	-

The grant was used for Covid-19 related expenditure. All the conditions were met.

Integrated National Electrification Programme Grant

Current-year receipts	25 430 000	35 000 000
Conditions met - transferred to revenue	(25 430 000)	(35 000 000)
	-	-

The grant was used to address the electrification backlog of permanently occupied residents. There after the projects are handed over to Eskom for collection of revenue and maintenance. The conditions of the grant were met.

Municipal Infrastructure Grant

Current-year receipts	99 383 000	112 823 000
Conditions met - transferred to revenue	(99 383 000)	(112 823 000)
	-	-

This grant was used to construct basic municipal infrastructure to provide basic services for the benefit of households. All conditions of the grant were met.

26. Public contributions and donations

Donations	9 129	488 000
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During the year Thulamela received a donation from Icarus Trading and Suppliers of LB218 MKII Double base bin speaker to the value of R9 128.91.

27. Fines, Penalties and Forfeits

Building Fines	63 823	45 696
Law Enforcement Fines	6 109 964	6 666 591
Municipal Traffic Fines	3 207 440	3 744 160
	9 381 227	10 456 447

Thulamela Local Municipality

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28. Employee related costs		
Basic	184 225 878	175 769 458
Bonus	14 184 858	12 793 250
Medical aid - company contributions	8 447 736	7 455 541
UIF	1 182 637	1 226 094
Leave pay provision charge	6 584 303	3 082 376
Overtime payments	5 555 790	8 778 239
Long-service awards	2 247 145	2 590 840
Acting allowances	429 056	825 791
Car allowance	18 596 461	17 225 371
Housing benefits and allowances	442 829	427 161
Pension Fund Contribution	34 007 129	31 700 862
Cellphone allowances	57 700	115 200
Industrial Council Levies	65 830	61 192
	276 027 352	262 051 375

We have re-classified Skills development levy and workman's compensation to General expenses as they are excluded from the definition of remuneration.

The increase in Employee related costs is mainly due to general increases in salaries in accordance with the Bargaining Council Agreement in place and the hiring of full-time Senior Managers.

Remuneration of municipal manager

Annual Remuneration	1 077 160	1 047 821
Housing allowance, Car Allowance, Travelling claims and Subsistence allowance	175 588	259 797
13th cheque Bonus	89 763	87 318
Contributions to UIF, Medical and Pension Funds	248 961	244 627
	1 591 472	1 639 563

Remuneration of chief finance officer

Annual Remuneration	951 979	917 724
Housing allowance, Car Allowance, Travelling claims and Subsistence allowance	404 507	507 378
Contributions to UIF, Medical and Pension Funds	12 097	13 787
	1 368 583	1 438 889

Senior Manager: Corporate services

Annual Remuneration	945 210	707 728
Housing allowance, Car Allowance, Travelling claims and Subsistence allowance	239 227	220 730
13th cheque Bonus	157 091	-
Contributions to UIF, Medical and Pension Funds	47 297	23 908
Acting Allowance	-	60 332
	1 388 825	1 012 698

Senior Manager: Technical services

Annual Remuneration	684 289	-
Housing allowance, Car Allowance, Travelling claims and Subsistence allowance	123 091	-
Contributions to UIF, Medical and Pension Funds	41 386	-
Acting Allowance	90 420	314 056
	939 186	314 056

Senior Manager: Planning and Development

Thulamela Local Municipality

Annual Financial Statements for the year ended 30 June 2020

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Figures in Rand

	2020	2019
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28. Employee related costs (continued)

Annual Remuneration	622 281	-
Housing allowance, Car Allowance, Travelling claims and Subsistence allowance	171 767	-
13th cheque Bonus	33 732	-
Contributions to UIF, Medical and Pension Funds	7 248	-
Acting Allowance	58 392	225 934
	893 420	225 934

Senior manager: Community services

Annual Remuneration	828 143	811 905
Housing allowance, Car allowance, Travelling claims, Subsistence allowance	313 079	345 743
13th cheque Bonus	69 689	67 659
Contributions to UIF, Medical and Pension Funds	65 805	66 493
	1 276 716	1 291 800

Senior manager: Human Settlement

Annual Remuneration	-	248 331
Car Allowance	-	61 091
13th cheque Bonus	-	48 992
Contributions to UIF, Medical and Pension Funds	-	61 055
	-	419 469

29. Remuneration of councillors

Executive Major	930 933	897 774
Speaker	752 895	726 377
Councillors	28 237 051	27 021 688
Chief Whip	709 098	684 002
	30 629 977	29 329 841

In-kind benefits

The remuneration for the Executive Mayor, Speaker, Chief Whip and all other councillors is inclusive of a cellphone allowance, travelling allowance and other benefits. The Executive Mayor, Speaker and Chief whip are full-time. Each is provided with an office.

The Mayor and the Speaker have use of a Council owned vehicle and driver for official duties.

The salaries, allowances and benefits are within the upper limits of the framework envisaged in section 219 of the Constitution.

Refer to note 43: Related Parties for the detailed disclosure regarding councillors' remuneration.

30. Depreciation and amortisation

Property, plant and equipment	54 071 387	49 460 375
Intangible assets	192 195	194 562
	54 263 582	49 654 937

Thulamela Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
31. Finance costs		
Trade and other payables	2 502	3 302
Finance leases	-	36 127
Environmental rehabilitation provision	822 926	2 325 641
	825 428	2 365 070
32. Lease rentals on operating lease		
Equipment		
Contractual amounts	3 206 471	2 302 292
Included in lease rentals on operating lease is an amount of R2 302 292 that was classified as General expenses in the prior year.		
33. Debt impairment		
Debt impairment	79 980 992	58 899 879
Reconciliation of allowance for debt impairment		
Consumer debtors		
Balance at beginning of the year	(477 729 340)	(421 443 789)
Contributions to allowance	(79 858 030)	(56 285 551)
	(557 587 370)	(477 729 340)
Traffic fine debtors		
Balance at beginning of the year	(27 451 674)	(24 837 169)
Contributions to allowance	(122 964)	(2 614 505)
	(27 574 638)	(27 451 674)
34. Contracted services		
Outsourced Services		
Administrative and Support Staff	1 020 000	-
Burial Services	144 720	-
Catering Services	106 874	388 812
Security Services	4 351 895	3 564 574
Consultants and Professional Services		
Business and Advisory	16 770 130	15 205 119
Infrastructure and Planning	1 107 683	6 860 342
Legal Cost	14 585 966	12 727 927
Contractors		
Building	244 960	-
Electrical	-	4 150 039
Employee Wellness	144 091	139 170
Event Promoters	28 694	56 900
Maintenance of Buildings and Facilities	789 205	1 916 548
Maintenance of Equipment	3 777 659	4 998 512
Maintenance of Unspecified Assets	3 507 863	14 781 188
Exhibit Installations	-	29 940
	46 579 740	64 819 071

Included in contracted services is an amount of R25 714 819 that was classified as Repairs and maintenance in the prior year.

Thulamela Local Municipality

Annual Financial Statements for the year ended 30 June 2020

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Figures in Rand	2020	2019
35. Transfer and subsidies		
Grants paid		
Poverty Relief	2 936 416	4 824 657
Other subsidies		
Grant in Aid	3 700 934	1 529 449
	6 637 350	6 354 106

Included in grants is an amount of R6 354 106 that was disclosed under general expenses in the prior year.

36. General expenses

Advertising	181 629	864 683
Auditors remuneration	4 443 664	4 379 867
Bank charges	344 872	413 367
Consumables	6 407 450	6 980 534
Entertainment	17 500	15 000
Hire	1 434 528	2 723 304
Insurance	4 392 103	1 782 074
IT expenses	39 925	131 252
Cost of housing sold	681 067	622 000
Skills Development Fund Levy	1 856 588	1 909 108
Fuel and oil	6 320 054	8 116 762
Postage and courier	773 332	1 120 253
Printing and stationery	806 706	1 219 718
Protective clothing	88 900	1 352 482
Subscriptions and membership fees	3 687 781	3 487 049
Telephone and fax	4 854 055	4 739 155
Travel - local	3 932 584	5 912 126
Title deed search fees	15 876	13 220
Utilities - Other	7 395 503	7 785 064
Indigent Relief	5 292 164	5 281 788
Bursaries	371 365	829 507
Ward committee allowances	4 852 600	4 868 950
Dumping fees	3 735 619	3 693 012
Licenses	450 267	557 424
Conference expenses	671 163	2 063 892
Workmen's Compensation Fund	813 159	1 053 161
Signage	-	4 550 080
Servitudes and Land Surveys	407 822	117 249
	64 268 276	76 582 081

Included in general expenses is an amount of R4 378 867 that was classified and disclosed separately as Auditing fees in the prior year.

Included in General expenses for prior year was an amount of R2 302 292 relating to operating lease which has been reclassified to lease rentals on operating lease.

Included in General expenses for prior year was an amount of R3 536 199 relating to bad debts written off which has been reclassified to show separately on the face of the Statement of Financial Performance.

Included in General expenses for prior year was an amount of R6 354 106 relating to transfers and subsidies paid which has been reclassified to show separately on the face of the Statement of Financial Performance.

Thulamela Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
37. Impairment of assets		
Impairments		
Property, plant and equipment	4 057	219 819
Reversal of impairments		
Property, plant and equipment	(362 935)	-
Total impairment losses (recognised) reversed	(358 878)	219 819
38. Auditors' remuneration		
Fees	4 443 664	4 379 867
39. Cash generated from operations		
Surplus	214 481 014	116 463 838
Adjustments for non-cash items:		
Depreciation and amortisation	54 263 582	49 654 937
Gain (loss) on sale of assets and liabilities	2 163 021	(3 429 151)
Land write down	2 293 997	24 677 154
Impairment	(358 878)	219 819
Debt impairment	79 980 992	58 899 879
Bad debts written off	2 284 569	3 733 690
Movements in retirement benefit assets and liabilities	1 250 785	-
Movements in provisions	8 770 138	833 564
Other Income: non-cash	(2 850 028)	(4 069 196)
Donation received	(9 129)	(488 000)
NRV write down	926 157	5 058 284
Changes in working capital:		
Inventories	4 330 524	(1 336 516)
Receivables from exchange transactions	(23 064 921)	(37 751 950)
Receivables from non-exchange transactions	(78 732 010)	(20 102 658)
Payables from exchange transactions	(9 817 269)	379 423
VAT	7 513 647	6 397 830
Consumer deposits	66 233	14 590
	263 492 424	199 155 537
40. Financial instruments disclosure		
Categories of financial instruments		
2020		
Financial assets		
	At fair value	Total
Trade and other receivables from exchange transactions	34 147 090	34 147 090
Trade and other receivables from non-exchange transactions	15 927 447	15 927 447
Cash and cash equivalents	647 396 794	647 396 794
	697 471 331	697 471 331
Financial liabilities		
	At amortised cost	Total
Trade and other payables from exchange transactions	67 156 864	67 156 864
VAT payable	29 118 363	29 118 363

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Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
40. Financial instruments disclosure (continued)		
Consumer deposits	343 882	343 882
Employee benefit obligation	13 829 533	13 829 533
Provisions	54 754 099	54 754 099
	165 202 741	165 202 741

2019

Financial assets

	At fair value	Total
Trade and other receivables from exchange transactions	5 972 867	5 972 867
Trade and other receivables from non-exchange transactions	22 285 731	22 285 731
Cash and cash equivalents	537 462 185	537 462 185
	565 720 783	565 720 783

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	76 974 109	76 974 109
Consumer deposits	277 649	277 649
Employee benefit obligation	12 578 748	12 578 748
VAT Payable	21 604 716	21 604 716
Provisions	58 562 709	58 562 709
	169 997 931	169 997 931

Thulamela Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2020	2019
41. Commitments		
Authorised capital expenditure		
Approved and contracted		
• Property, plant and equipment	233 979 693	375 459 355
Total capital commitments		
Approved and contracted	233 979 693	375 459 355
Authorised operational expenditure		
Approved and contracted		
• Operational Expenditure	11 358 282	12 351 668
Approved and not yet contracted		
• Operational Expenditure	-	438 500
Total operational commitments		
Approved and contracted	11 358 282	12 351 668
Approved and not yet contracted	-	438 500
	11 358 282	12 790 168
Total commitments		
Total commitments		
Authorised capital expenditure	233 979 693	375 459 355
Authorised operational expenditure	11 358 282	12 790 168
	245 337 975	388 249 523

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated and grants from National Treasury, etc.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	2 405 928	1 778 304
- in second to fifth year inclusive	1 176 804	2 222 880
	3 582 732	4 001 184

The municipality entered into an operating lease agreement with Edusolution Bookshop CC (contract 2000/013118/23) for 32 High-end printing and photocopying machines, effective from 1 October 2018. The contract is for 36 months and doesn't permit the municipality to sub-lease/sell the machines to a third party. There is no purchase option at the end of the lease term and there is no escalation clause.

The municipality entered into an operating lease agreement with PBROS Holdings (bid no: 52/2018/2019) for 2 High-end multifunction printers, effective from 5th September 2019. The contract is for 36 months and doesn't permit the municipality to sub-lease/sell the machines to a third party. There is no purchase option at the end of the lease term and there is no escalation clause.

Thulamela Local Municipality

Annual Financial Statements for the year ended 30 June 2020

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2020

2019

42. Contingencies

The table below comprises all the law suits which are deemed to be possible obligations and neither the expense nor the accompanying liability was recognised. Thulamela Municipality's legal counsel has indicated that the likelihood of the court ruling being in favour of the applicant is very slim albeit not remote.

Case	Applicant	Case No.	2020	2019
Bianca Logistics is seeking a relief for damages for failing to get registration documents in time after buying a Grader from the municipality.	Bianca Logistics	529/16	14 000 000	14 000 000
Tshivhase Ungani Martha is suing the municipality for Loss of support as a result of the death of her husband who passed away after a tree fell on him.	Tshivhase Ungani Martha	662/16	3 000 000	3 000 000
Hilda Mabaya is suing the municipality for personal injury. Plaintiff alleges that she visited the municipality for services, the chair in the municipal waiting area broke and she fell, as a result she was seriously injured.	Hilda Mabaya	352/16	228 284	228 284
The applicant is suing the municipality an amount of R2 725 770.45 for water usage.	Minister of Water and Sanitation	705/2017	2 725 770	2 725 770
Mudau Tshimangadzo Noria is suing the municipality for damages alleging that her child was injured by the municipal pipes.	Mudau Tshimangadzo Noria	534/2017	4 000 000	4 000 000
Neduvhuledza Bethuel is suing the municipality for failing to transfer the site at Tshilungoma into his names.	Neduvhuledza Bethuel	945/2017	2 400 000	2 400 000
Plaintiff alleges that he was arrested by traffic officers and acquitted in court. He is suing the municipality for unlawful arrest and detention, injury to his dignity, loss of personal freedom and general damages.	Shumani Moses	606/15	450 000	450 000
Matumba Elekenyani is suing the municipality in an amount of R200 000 for unlawful detention, contumelia, pain and suffering after he was arrested for failing to pay traffic fine and he was detained in a traffic van and later the traffic van was involved in an accident.	Matumba Elekenyani	117/2015	200 000	200 000
Nevondo Mukovhe is suing the municipality in an amount of R300 000 for unlawful detention, contumelia, pain and suffering after he was arrested for failing to pay traffic fine and he was detained in a traffic van and later the traffic van was involved in an accident.	Nevondo Mukovhe	439/2015	300 000	300 000
Applicant is suing the municipality in an amount of R4 698 886.28 regarding Makonde Stadium Project	Mopicon Construction Pty Ltd	1087/2019	4 698 886	-
Applicant is suing the municipality in an amount of R40 000 000 alleging the municipality to have expropriated his site Portion 46 of 468 at Tshilungoma along Punda Maria Road.	Fhambanani Frank Mbedzi	638/2019	40 000 000	40 000 000
Applicant is suing the municipality for compensation for damages she incurred on her motor vehicle when hitting a pothole.	PBN Mawila	762/2019	66 736	-
Applicant is suing the municipality an amount of R6 000 000.00 for the death of his son. Plaintiff alleges that the deceased was crossing a water filled trench using a wooden roof beam that has been placed across the open trench as a makeshift bridge when deceased lost her footing and fell into the water filled trench.	Masithi Awelani	831/2020	6 000 000	-
Applicant is suing the municipality for expropriation of land without compensation by the Venda Government.	Victor Gidimani Ramabulana	167/2020	6 000 000	-
			84 069 676	67 304 054

Thulamela Local Municipality

Annual Financial Statements for the year ended 30 June 2020

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Figures in Rand	2020	2019
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43. Related parties

Relationships

Accounting Officer

Members of senior management

Refer to accounting officer's report note

HE Maluleke - Municipal Manager

MM Tshivule - Chief Financial Officer

MH Chauke - Acting Senior Manager: Technical Services

SS Razwiedani - Senior Manager: Corporate Services

MP NemaKonde - Acting Senior Manager: Planning & Development

NA Todani - Senior Manager: Corporate Services

The municipality has councillors that act as a governing body who may have significant influence over the financial and/or operating policies of the municipality.

All Councillors have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over the Council in making financial and operational decisions.

During the financial year no Councillor or Official had any interest in related parties and no one could control or influence Council in making financial or operational decisions.

The municipality had no other related party transactions or balances during the financial year outside of the contractual remuneration of senior management and councillor allowances of the councillors.

Thulamela Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

43. Related parties (continued)

Mayoral committee members

2020

Name	Basic salary	Car allowance	Cellphone allowance	Pension, Medical Aid, SDL & Other benefits	Total
Cllr Tshifhango A.S - Executive Mayor	777 261	-	40 800	112 872	930 933
Cllr Mulovhedzi H.P - Speaker	621 807	-	40 800	90 288	752 895
Cllr Mahosi N.G - Chief Whip	437 209	167 597	40 800	63 492	709 098
	1 836 277	167 597	122 400	266 652	2 392 926

2019

Name	Basic salary	Car allowance	Cellphone allowance	Pension, Medical Aid, SDL & Other benefits	Total
Cllr Tshifhango A.S - Executive Mayor	747 366	-	40 800	109 608	897 774
Cllr Mulovhedzi H.P - Speaker	597 891	-	40 800	87 686	726 377
Cllr Mahosi N.G - Chief Whip	420 393	161 151	40 800	61 658	684 002
	1 765 650	161 151	122 400	258 952	2 308 153

Councillors remuneration

2020

	Basic salary	Car allowance	Cellphone allowance	Pension, Medical Aid, SDL & Other benefits	Total
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Thulamela Local Municipality

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43. Related parties (continued)

Name					
Cllr Mutandanyi V	184 480	44 365	40 800	55 537	325 182
Cllr Mbulaheni N	184 480	70 718	40 800	28 694	324 692
Cllr Mabuda G	245 974	-	40 800	37 602	324 376
Cllr Nemadzivhanani FE	245 974	-	40 800	38 004	324 778
Cllr Shitiba V	184 480	70 718	40 800	29 152	325 150
Cllr Makungo TG	184 480	70 718	40 800	28 694	324 692
Cllr Sengani MP	184 480	70 718	40 800	28 694	324 692
Cllr Maphaha NF	184 480	70 718	40 800	28 694	324 692
Cllr Ndou NF	184 480	70 718	40 800	29 096	325 094
Cllr Tswana TT	184 480	70 718	40 800	30 773	326 771
Cllr Munyai HF	184 480	70 718	40 800	28 694	324 692
Cllr Mawelewele TM	184 480	70 718	40 800	28 694	324 692
Cllr Muditambi MM	184 480	70 718	40 800	28 694	324 692
Cllr Magatshavha SO	184 480	70 718	40 800	33 677	329 675
Cllr Singo SL	184 480	70 718	40 800	30 769	326 767
Cllr Rasendedza M	245 974	-	40 800	37 602	324 376
Cllr Netangaheni NP	184 480	70 718	40 800	28 694	324 692
Cllr Nemaleteni TJ	184 480	70 718	40 800	28 694	324 692
Cllr Tshishonge S D	184 480	70 718	40 800	31 344	327 342
Cllr Malaka MG	184 480	70 718	40 800	30 260	326 258
Cllr Rambuda S A	248 667	95 322	40 800	56 994	441 783
Cllr Tshigwili S T	236 750	90 754	40 800	36 768	405 072
Cllr Munyai S T	184 480	70 718	40 800	29 096	325 094
Cllr Netshishivhe S A	245 974	-	40 800	37 602	324 376
Cllr Nelushi T	184 480	70 718	40 800	31 065	327 063
Cllr Munyai NG	184 480	70 718	40 800	28 694	324 692
Cllr Mashawana S N	184 480	70 718	40 800	28 694	324 692
Cllr Tshilile S G	184 480	70 718	40 800	29 126	325 124
Cllr Netshisaulu TE	243 905	93 497	40 800	44 815	423 017
Cllr Sadiki SC	184 480	70 718	40 800	28 694	324 692
Cllr Makatu S A	184 480	70 718	40 800	28 694	324 692
Cllr Matambela NP	184 480	70 718	40 800	28 694	324 692
Cllr Tshikalange NT	184 480	70 718	40 800	30 728	326 726
Cllr Nemugumoni S T	184 480	70 718	40 800	28 694	324 692
Cllr Neluthangani S T	245 974	-	40 800	37 602	324 376
Cllr Mawela S P	245 974	-	40 800	37 602	324 376

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43. Related parties (continued)

Clr Nenzhelele N	184 480	70 718	40 800	28 694	324 692
Clr Marole S R	184 480	70 718	40 800	33 026	329 024
Clr Ramutlongo MB	219 006	29 466	40 800	36 208	324 480
Clr Nemudziyihadi AS	184 480	70 718	40 800	28 694	324 692
Clr Madzivhandila M	223 683	85 745	40 800	34 737	384 965
Clr Mphaphuli M	245 974	-	40 800	37 602	324 376
Clr Munenyiwa S M	245 974	-	40 800	37 602	324 376
Clr Maphiri TB	184 480	70 718	40 800	28 694	324 692
Clr Padelane TS	184 480	70 718	40 800	28 694	324 692
Clr Mulaudzi S N	184 480	70 718	40 800	29 139	325 137
Clr Lieba NA	236 750	90 754	40 800	44 719	413 023
Clr Tshifhango AS	777 261	-	40 800	119 614	937 675
Clr Mulaudzi NS	453 271	173 754	40 800	99 816	767 641
Clr Muthetwana S F	248 667	95 322	40 800	46 406	431 195
Clr Ramanala S V	61 493	23 573	13 600	9 662	108 328
Clr Ramashia MP	184 480	70 718	40 800	28 694	324 692
Clr Maduse LS	453 271	173 754	40 800	71 131	738 956
Clr Mathambo R	245 974	-	40 800	37 602	324 376
Clr Netshifhefhe M	184 480	70 718	40 800	28 694	324 692
Clr Davhana S A	184 480	70 718	40 800	28 694	324 692
Clr Madondo S L	236 750	90 754	40 800	45 070	413 374
Clr Mulaudzi S M	49 510	-	6 800	6 391	62 701
Clr Nemananzhe S N	184 480	70 718	40 800	28 694	324 692
Clr Kwindi SC	184 480	70 718	40 800	28 694	324 692
Clr Magoda P	184 480	70 718	40 800	29 632	325 630
Clr Mundalamo S M	245 974	-	40 800	37 602	324 376
Clr Muedi ET	223 683	86 839	40 800	34 737	386 059
Clr Malindi OT	424 383	162 680	40 800	78 290	706 153
Clr Mahosi NG	437 209	167 597	40 800	86 729	732 335
Clr Mulovhedzi P	621 807	-	40 800	97 837	760 444
Clr Melada TP	437 209	167 597	40 800	95 077	740 683
Clr Madzunya E	184 480	70 718	40 800	28 891	324 889
Clr Ramulifho HB	184 480	70 718	40 800	30 603	326 601
Clr Gundula TJ	245 974	-	40 800	37 602	324 376
Clr Mandiwana S N	235 251	73 525	40 800	56 279	405 855
Clr Phalanndwa S N	236 750	90 754	40 800	36 768	405 072
Clr Mamushiana TD	236 750	90 754	40 800	36 768	405 072

Thulamela Local Municipality

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43. Related parties (continued)

Cllr Raluswina S T	5 629	-	-	5 902	11 531
Cllr Tharaga MD	245 974	-	40 800	53 425	340 199
Cllr Netshipise S L	184 480	50 622	40 800	48 823	324 725
Cllr Ramasano LP	315 667	-	40 800	48 204	404 671
Cllr Mulaudzi KE	457 460	175 360	40 800	78 036	751 656
Cllr Ligaraba LE	243 905	65 755	40 800	80 071	430 531
Cllr Mashatini MH	184 480	70 718	40 800	29 230	325 228
Cllr Netsdhihefhe KJ	122 987	47 145	27 200	21 429	218 761
Cllr Ligaraba MJ	61 493	23 573	13 600	9 466	108 132
Cllr Zhalagome G	184 480	70 718	40 800	28 694	324 692
Cllr Kwindi SC	338 314	-	40 800	54 914	434 028
	19 155 289	5 259 417	3 284 400	3 277 604	30 976 710

2019

Name	Basic salary	Car allowance	Cellphone allowance	Pension, Medical Aid, SDL & Other benefits	Total
Cllr Mutandanyi S V	177 385	42 437	40 800	59 379	320 001
Cllr Mbulaheni N	177 385	67 998	40 800	28 291	314 474
Cllr Mabuda S M	236 513	-	40 800	36 923	314 236
Cllr Nemadzivhanani FE	236 513	-	40 800	37 819	315 132
Cllr V Shitiba S T	177 385	67 998	40 800	28 291	314 474
Cllr Makungo TG	177 385	67 998	40 800	28 291	314 474
Cllr Sengani MP	177 385	67 998	40 800	28 291	314 474
Cllr Maphaha NF	177 385	67 998	40 800	31 879	318 062
Cllr Ndou NF	177 385	67 998	40 800	29 187	315 370
Cllr Tswana TT	177 385	67 998	40 800	35 380	321 563
Cllr Munyai S H	177 385	67 998	40 800	28 291	314 474
Cllr Mawelewele ST	177 385	67 998	40 800	28 291	314 474
Cllr Muditambi S M	177 385	67 998	40 800	28 291	314 474
Cllr Magatshavha SO	177 385	67 998	40 800	35 430	321 613
Cllr Singo S L	177 385	67 998	40 800	35 694	321 877
Cllr M Rasendedza S A	236 513	-	40 800	36 923	314 236

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43. Related parties (continued)

Cllr Netangaheni NP	177 385	67 998	40 800	28 291	314 474
Cllr Nemalegeni TJ	177 385	67 998	40 800	28 291	314 474
Cllr Tshishonge S D	177 385	67 998	40 800	29 653	315 836
Cllr Mulaudzi S S	195 437	74 918	34 000	34 334	338 689
Cllr Malaka MG	177 385	67 998	40 800	28 291	314 474
Cllr Rambuda S A	177 385	67 998	40 800	32 695	318 878
Cllr Tshigwili S T	227 645	87 264	40 800	36 439	392 148
Cllr Munyai S T	177 385	67 998	40 800	28 291	314 474
Cllr Netshishivhe S A	236 513	-	40 800	36 923	314 236
Cllr Nelushi T	177 385	67 998	40 800	35 764	321 947
Cllr Munyai NG	177 385	67 998	40 800	28 291	314 474
Cllr Mulaudzi VE	172 126	65 982	37 400	26 692	302 200
Cllr Mashawana S N	177 385	67 998	40 800	28 291	314 474
Cllr Tshililo S G	177 385	67 998	40 800	28 291	314 474
Cllr Netshisaulu TE	234 524	89 901	40 800	42 423	407 648
Cllr Sadiki SC	177 385	67 998	40 800	28 291	314 474
Cllr Makatu S A	177 385	67 998	40 800	28 291	314 474
Cllr Matambela NP	177 385	67 998	40 800	28 291	314 474
Cllr Tshikalange NT	177 385	67 998	40 800	31 716	317 899
Cllr Nemugumoni S T	177 385	67 998	40 800	28 291	314 474
Cllr Nelufhangani S T	236 513	-	40 800	36 923	314 236
Cllr Mawela S P	236 513	-	40 800	36 923	314 236
Cllr Nenzhelele N	177 385	67 998	40 800	28 291	314 474
Cllr Marole S R	177 385	67 998	40 800	31 923	318 106
Cllr Ramulongo MB	213 376	-	40 800	66 999	321 175
Cllr Nemudzivhadi AS	177 385	67 998	40 800	28 291	314 474
Cllr Madzivhandila M	177 385	67 998	40 800	28 291	314 474
Cllr Mphaphuli M	236 513	-	40 800	36 923	314 236
Cllr Munenyiwa S M	236 513	-	40 800	36 923	314 236
Cllr Maphiri TB	177 385	67 998	40 800	28 291	314 474
Cllr Padelane TS	177 385	67 998	40 800	28 291	314 474
Cllr Mulaudzi S N	177 385	67 998	40 800	28 291	314 474
Cllr Lieba NA	227 645	87 264	40 800	61 843	417 552
Cllr Mulaudzi S N	227 645	87 264	40 800	51 456	407 165
Cllr Mutheiwana S F	177 385	67 998	40 800	39 582	325 765
Cllr Ramanala S V	177 385	67 998	40 800	28 291	314 474
Cllr Ramashia MP	177 385	67 998	40 800	28 291	314 474

Thulamela Local Municipality

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43. Related parties (continued)

Cllr Maduse LS	227 645	87 264	40 800	36 371	392 080
Cllr Mathambo R	236 513	-	40 800	36 923	314 236
Cllr Netshifhefhe M	420 393	161 151	40 800	88 809	711 153
Cllr Davhana S A	234 524	89 901	40 800	64 395	429 620
Cllr Madondo S L	227 645	87 264	40 800	46 521	402 230
Cllr Mulaudzi S M	236 513	-	40 800	36 923	314 236
Cllr Nematanzhe S N	234 524	89 901	40 800	44 974	410 199
Cllr Kwindi S S	19 709	-	3 400	3 145	26 254
Cllr Magoda S T	177 385	67 998	40 800	29 187	315 370
Cllr Mundalamo S M	236 513	-	40 800	36 923	314 236
Cllr Muedi S E	177 385	67 998	40 800	28 291	314 474
Cllr Malindi OT	408 081	156 423	40 800	95 542	700 826
Cllr Malada TP	420 393	161 151	40 800	112 593	734 937
Cllr Madzunya E	177 385	67 998	40 800	28 291	314 474
Cllr Ramulitho HB	177 385	67 998	40 800	35 112	321 295
Cllr Gundula TJ	236 513	-	40 800	36 923	314 236
Cllr Mandiwana S N	204 552	66 411	40 800	57 645	369 408
Cllr Phalanndwa S N	227 645	87 264	40 800	38 811	394 520
Cllr Mamushiana TD	227 645	87 264	40 800	36 243	391 952
Cllr Raluswina S T	214 981	82 409	37 400	62 103	396 893
Cllr Tharaga MD	236 513	-	40 800	40 038	317 351
Cllr Netshipise S L	420 393	141 861	40 800	145 025	748 079
Cllr Ramaano LP	303 526	-	40 800	47 327	391 653
Cllr Mulaudzi KE	177 385	67 998	-	30 737	276 120
Cllr Zhalagome S M	197 094	45 114	40 800	31 116	314 124
Cllr Kwindi SC	177 385	67 998	40 800	28 291	314 474
	16 366 737	4 802 322	3 131 400	3 058 573	27 359 032

*Refer to note "Remuneration of councillors"

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44. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

44.1. During the current year, it was identified that inventory: Site(Land) was erroneously duplicated in the site register in prior years.

The financial impact of the error was determined to be as follows:

Statement of financial position	2019
Inventory: Sites (land) - Increase/ (Decrease)	(65 065)

Statement of financial performance	
Inventory losses/write-downs - (Increase)/Decrease	65 065

44.2. During the current year, it was identified that Inventory: Sites (land) owned by the municipality in the prior years was accounted for in the municipality's accounting records with less value.

The financial impact of the error was determined to be as follows:

Statement of financial position	2019
Inventory: Sites (land) - (Increase)/Decrease	45 068

Statement of financial performance	
Inventory losses/write-downs - Increase/(Decrease)	(45 068)

44.3. During the current year, it was discovered that Inventory: Sites (land) that was sold in the preceding years was erroneously accounted for as inventory after its sale.

The financial impact of the error was determined to be as follows:

Statement of financial position	2019
Inventory: Sites (land) - Increase/ (Decrease)	(490 469)

Statement of financial performance	
Inventory losses/write-downs - (Increase)/Decrease	490 469

44.4. During the current year, it was discovered that Inventory: Sites (land) has a bridge, it's a street and land that has provincial traffic gates in the preceding years was erroneously accounted for as inventory after this developments.

The financial impact of the error was determined to be as follows:

Statement of financial position	2019
Inventory: Sites (land) - Increase/ (Decrease)	(135 000)

Statement of financial performance	
Inventory losses/write-downs - (Increase)/Decrease	135 000

44.5. During the current year, Intangible assets: there was assessment of useful life on intangible assets.

The financial impact of the error was determined to be as follows:

Statement of financial position	2019
Accumulated Amortisation: Intangible Assets - Increase/(Decrease)	10 257

Statement of financial performance	
Amortisation : Intangible Assets - Increase/ (Decrease)	(10 257)

44.6. During the current year, Movable assets: there was an assessment to review the residual values of motor vehicle.

The financial impact of the error was determined to be as follows:

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44. Prior-year adjustments (continued)		
Statement of financial position		2019
Depreciation: Transport assets - Increase/ (Decrease)		(667 314)
Statement of financial performance		
Accumulated depreciation: Transport assets - Increase/ (Decrease)		667 314
44.7. During the current year, PPE: there was an assessment of useful life on infrastructure assets.		
The financial impact of the error was determined to be as follows:		
Statement of financial position		2019
Accumulated Depreciation: Infrastructure - Increase/ (Decrease)		7 298
Statement of financial performance		
Depreciation Infrastructure - Increase/ (Decrease)		(7 298)
44.8. During the current year, Transport Assets: DHT was brought in 2019 financial year and there was error in depreciation (correction of depreciation).		
The financial impact of the error was determined to be as follows:		
Statement of financial position		2019
Accumulated Depreciation: Transport Assets - (Increase)/ Decrease		(117 668)
Statement of financial performance		
Depreciation: Transport Assets - (Increase)/ Decrease		117 668
44.9. During the current year, it was discovered that: construction was done in the previous financial year and materials were bought as expense and the project need to be capitalized.		
The financial impact of the error was determined to be as follows:		
Statement of financial position		2019
Work in Progress: (Increase)/ Decrease		506 800
Statement of financial performance		
General Expenses - Inventory (consumed) - Increase/(Decrease)		(506 800)
44.10. During the current year, PPE: Assets were written off, however it was identified during verification process, that some end users are still using them and brought back to the asset register.		
The financial impact of the error was determined to be as follows:		
Statement of financial position		2019
Furniture and office equipment: (Increase)/ Decrease		12 860
Plant and equipment - (Increase)/ Decrease		300
Statement of financial performance		
Gain or loss on disposal of assets and liabilities - Increase/ (Decrease)		(13 160)
44.11. During the current year, PPE: It was discovered that land was identified as a street and it is also on Infrastructure Assets.		
The financial impact of the error was determined to be as follows:		
Statement of financial position		2019
Cost: Land - Increase/ (Decrease)		(464 000)
Statement of financial performance		

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Figures in Rand	2020	2019
44. Prior-year adjustments (continued)		
Land write down - (Increase)/Decrease		464 000
44.12. During the current year, PPE: there was correction of prior year depreciation on Infrastructure assets.		
The financial impact of the error was determined to be as follows:		
Statement of financial position		2019
Accumulated depreciation: Roads Infrastructure - Increase/ (Decrease)		735
Statement of financial performance		
Depreciation Roads Infrastructure - Increase/ (Decrease)		(735)
44.13. During the current year, reversal of Prodibaa amount which was still outstanding in the prior year.		
The financial impact of the error was determined to be as follows:		
Statement of financial position		2019
Gain or loss on disposal of assets and liabilities - (Increase)/ Decrease		14 035
Statement of financial performance		
Payables from exchange transactions - (Increase)/ Decrease		(14 035)
44.14. During the current year, reversal of prepayments made to Salga payments in respective of membership.		
The financial impact of the error was determined to be as follows:		
Statement of financial position		2019
Other debtors - Increase/ (Decrease)		(2 304 855)
Statement of financial performance		
Accumulated surplus - (Increase)/ Decrease		2 304 855
44.15. During the current year, accrued leave days owed to deceased employee was written off.		
The financial impact of the error was determined to be as follows:		
Statement of financial position		2019
Salary Control (Payables) - (Increase)/ Decrease		(11 145)
Statement of financial performance		
Gain or loss on disposal of assets and liabilities - (Increase)/ Decrease		11 145
44.16. During the current year, unsupported balance owed to Mutale was written off per Council resolution.		
The financial impact of the error was determined to be as follows:		
Statement of financial position		2019
Other Receivables - (Increase)/ Decrease		871 819
Statement of financial performance		
Bad debts written off		(871 819)
44.17. During the current year, it was noted that in the prior prior year Acting allowance was overpaid to a municipal employee and a debtor was raised for the repayment from the employee however deduction was incorrectly reversed against Acting allowance expense instead of the debtor.		
The financial impact of the error was determined to be as follows:		
Statement of financial position		2019
Other Receivables - Increase/ (Decrease)		(10 477)

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44. Prior-year adjustments (continued)

Statement of financial performance

Acting allowance - (Increase)/Decrease 10 477

44.18. During the current year, it was noted that in the prior prior year traffic fines issued for Mutale were approved for write off however the write off was not done in the prior year.

The financial impact of the error was determined to be as follows:

Statement of financial position

Traffic fines - Increase/ (Decrease) 2019
(1 069 310)

Statement of financial performance

Bad debts written off - (Increase)/Decrease 1 069 310

44.18. During the current year, it was noted that in the prior prior year payables relating to Mutale which was approved for write was omitted from the write off done in the prior year.

The financial impact of the error was determined to be as follows:

Statement of financial position

Payables from exchange transactions - Increase/ (Decrease) 2019
5 968 690.93

Statement of financial performance

Gain or loss on disposal of assets and liabilities - Increase/ (Decrease) (5 968 690.93)

Statement of financial position

2019

	Note	As previously reported	Correction of error	Restated
Inventories		33 983 914	(645 466)	33 338 448
Receivables from exchange transactions		23 729 244	(1 443 513)	22 285 731
Property, plant and equipment	1	481 410 817	613 640	1 482 024 457
Intangible assets		431 599	10 257	441 856
Payables from exchange transactions		(82 917 630)	5 943 521	(76 974 109)
Receivables from non-exchange transactions		7 042 178	(1 069 310)	5 972 868
Accumulated surplus		(1 920 697 232)	3 409 128	(1 917 288 104)
		(457 017 110)	6 818 257	(450 198 853)

Statement of financial performance

2019

	Note	As previously reported	Correction of error	Restated
Depreciation		50 222 873	(567 936)	49 654 937
Loss on disposal of assets and liabilities		2 527 520	(5 956 671)	(3 429 151)
Inventories losses/write-downs		4 412 818	645 466	5 058 284
General expenditure - Consumables		7 487 334	(506 800)	6 980 534
Bad debts written off		3 536 199	197 491	3 733 690
Employee cost - Acting allowance		815 313	10 477	825 790
Land write down		24 213 154	464 000	24 677 154
Surplus for the year		93 215 211	(5 713 973)	87 501 238

45. Comparative figures

Certain comparative figures have been reclassified.

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46. Risk management

Financial risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

At 30 June 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	73 161 601	-	-	-
Consumer deposits	343 882	-	-	-
At 30 June 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	82 942 810	-	-	-
Consumer deposits	277 649	-	-	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Included in the main primary bank account is a guarantee/security of R850,000 to the Post Office. Should the Municipality fail to meet payment obligations with the Post Office the amount will be paid over to the Post Office by the Bank. Included in the money market bank account is a guarantee/security of R1,062,500 to the DBSA. Should Municipality fail to meet payment obligations with DBSA the amount will be paid over to DBSA by the bank.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2020	2019
FNB Money Market Investments	1 588 120	1 522 162
FNB Current account	198 640 552	116 030 721
FNB Call account	447 168 121	419 909 301
Consumer debtors	45 550 628	26 156 820

The municipality is exposed to a number of guarantees and for guarantees issued in favour of the Post Office and DBSA. Refer to note 10 for additional details.

Trade and other receivables for government department are not impaired.

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates. At year end (June 2020), the financial instruments exposed to interest rate risk were as follows:

Financial instrument	2020	2019
FNB Call deposits	447 168 121	419 909 301
FNB Money Market Investments	1 588 120	1 522 162

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47. Going concern

We draw attention to the fact that at 30 June 2020, the municipality had an accumulated surplus of R 2 138 587 464 and that the municipality's total assets exceed its liabilities by R 2 138 587 464.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the sound financial management will remain in force for so long as it takes to maintain the solvency of the municipality.

During the financial year ending 30 June 2020, the world experience a pandemic disease called Covid-19 of which Thulamela Local Municipality had to comply with the disaster management preventive measures and procedures as addressed by the president of the republic of South Africa on the 25th of March 2020. This resulted in the closure of the municipality for a prescribed period and only essential service providers were working.

The wide-ranging effects of the virus and the restrictions imposed were taken into account including the possible impact on service delivery, purchasing of goods and services required to enable service delivery. The working capital cycle impact which may severely affect the entity's ability to settle its debts as they become due as well as default on payments on loans and facilities was also considered.

Revenue fines, penalties, service charges, licenses and permits are some of the income streams which were hit hard by the effects of this pandemic and the municipality figures are below anticipated amounts.

The pandemic has affected all customers of the municipality since operations were stopped during lock down period and there is uncertainty on whether the customers will be able to settle their accounts on time. The effects of the pandemic were factored in the calculations of provision for bad debts as required by GRAP 104. Management is also aware that if the rate of people affected by covid-19 increases in near future, the nation can be taken back to lock down which will affect service delivery.

In respond to this, the government of South Africa, has increased funding support in terms of grants and equitable share which will be used by the municipality to overcome the negative impact of covid-19 on the municipal operations. This means that the municipality will have sufficient cashflow to fund service delivery in future.

Management has also embarked on some cost cutting measures such as reduction in travel and other claims, as well as spending only on items that have been budgeted for to ensure that there is always funds to fund additional operations as the need arises.

Based on the above, the financial statement have been prepared on a going concern as the effect of the pandemic is going down and the municipality will continue to receive funding support from the government.

48. Events after the reporting date

The council of the municipality in its council sitting on the 7th of August 2020 approved write-offs and recoveries of Unauthorised, Irregular and Fruitless and wasteful expenditures of identified during the prior year statutory audit. The council's decision is an adjusting event after reporting date in terms of GRAP 14 as the decision was taken before the Annual Financial Statements were authorised for issue and management accounted for the transaction in the Annual Financial Statements for the period ended 30 June 2020.

49. Unauthorised expenditure

Opening balance as previously reported	24 798 979	32 185 551
Opening balance as restated	24 798 979	32 185 551
Add: Unauthorised expenditure - current period	-	24 798 979
Less: Approved by council	-	(32 185 551)
Less: Amount written off - current	(24 798 979)	-
Closing balance	-	24 798 979

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50. Fruitless and wasteful expenditure

Opening balance as previously reported	21 807 972	15 151 477
Opening balance as restated	21 807 972	15 151 477
Add: Expenditure identified - current	135 948	6 656 495
Less: Amounts recoverable - current	(62 882)	-
Less: Amount written off - current	(18 111 250)	-
Closing balance	3 769 788	21 807 972

The main reason for Fruitless and wasteful expenditure is due to payments made for work not performed.

51. Irregular expenditure

Opening balance as previously reported	93 939 792	64 748 357
Opening balance as restated	93 939 792	64 748 357
Add: Irregular Expenditure - current	16 282 437	29 781 336
Less: Amount written off - current	(91 936 479)	(589 901)
Closing balance	18 285 750	93 939 792

The main reason for Irregular expenditure is due to INEP projects awarded with reasons that are not justifiable.

52. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	3 131 884	2 774 731
Amount paid - current year	(3 131 884)	(2 774 731)
	-	-

Material losses through criminal conduct

There were no losses suffered through financial misconduct during the current financial year.

Audit fees

Opening balance	-	19 717
Current year subscription / fee	4 443 664	5 036 503
Amount paid - current year	(4 443 664)	(5 056 220)
	-	-

PAYE and UIF

Current year subscription / fee	46 077 950	40 928 956
Amount paid - current year	(46 077 950)	(40 928 956)
	-	-

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52. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Pension and Medical Aid Deductions		
Current year subscription / fee	66 340 623	61 291 103
Amount paid - current year	(66 340 623)	(61 291 103)
	-	-

The amount represents pension and medical aid contributions deducted from employees.

Pension and Medical Aid Deductions

Municipal Gratuity Fund	11 860 738	10 819 714
Momentum provident Funds	2 340 058	3 018 394
National Fund for Municipal workers	13 485 762	11 701 796
Municipal Employees pension fund	6 320 567	6 160 957
Municipal Councillors pension fund	2 768 532	2 662 804
	36 775 657	34 363 665

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution funds were used in the current financial year. The municipality is under no obligation to cover any unfunded benefits. The total municipal contribution to such schemes are as listed above.

VAT

VAT receivable	4 068 322	-
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Vat is paid over to SARS only once the payment is received from Debtors and is receivable from SARS once the payment has been made to Creditors. The amount above represents the amount immediately receivable/(payable) from/(to) SARS as at year end.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The are no Councillors that had arrear accounts outstanding for more than 90 days at 30 June 2020:

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been approved by the Municipal Manager and noted by council.

Incident		
Repairs and maintenance	4 427 117	3 155 293
Training	-	816 740
Accommodation	-	393 980
Annual show	-	184 140
Professional Registration	104 880	-
Competency assessment for senior managers	-	145 747
Professional fees	452 000	241 193
Transport	46 478	45 000
Other	894 507	40 106
	5 924 982	5 022 199

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53. Budget differences

Material differences between budget and actual amounts

In terms of MFMA section 31 and Virement Policy of the municipality, the municipality can shift funds within budget parameters. The changes between Schedule B (Final Approved Budget) and Final Budget were due to reallocation within budget parameters.

In this disclosure, materiality has been assumed to be all the variance which are 10% or more. Explanation of identified differences are as follows:

Sale of goods

The variance is due to implementation of covid-19 lockdown regulations which decreases the selling of goods.

Rendering of services

The variance is due by most of sites where already invaded and Thulamela municipality awaiting for court to resolve the matter.

Rental of facilities and equipment

The variance is caused by lockdown regulations which restrict people to gather due to covid-19 pandemic.

Agency services

The variance due to implementation of covid-19 lockdown regulations resulting in operations being significantly affected.

Licences and permits

Variance is due to new registration and opening of new spaza/hawkers licences during covid-19 lockdown, while others where paying penalties from previous years.

Commissions received

Employees increase the stop orders to pay services from their salaries in order to comply with legislation.

Other income

Variance is due to illegal demarcation by traditional leaders in communal land contributed to low revenue as the areas anticipated to be demarcated are demarcated illegally and allocated by traditional leaders and none or low payment in some instances from traditional leaders in areas that have been demarcated also contribute to low revenue.

Remuneration of councillors

Variance is due to late implementation of government increments gazette.

Impairment loss

Variance is due to less spending on capital budget due to implementation of covid-19 regulation.

Finance costs

Variance is due to more finance cost on landfill site provision recognized during the preparation of AFS.

Bad debts written off

Variance is due to a reduction in the number of first time indigent registered for the 2019/20 financial year.

Contracted Services

Variance is due to the implementation of covid-19 lockdown regulations that reduce spending on most of the items.

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53. Budget differences (continued)

Transfers and Subsidies

The variance is due to covid-19 segment, most items which were on the municipality projected business plan where prohibited due to disaster management regulation act, such as (booth machines and disinfectant spray machine). Poverty relief number of indigent application received has reduced for the 2019/20 financial year.

General Expenses

Maintenance's annual tender was cancelled and appointment of service provider through notices were not done due to covid-19 while some items such as(stationary and S&T) the spending where distracted due to the implementation of covid-19 lockdown regulations.Thulamela

Loss on disposal of assets and liabilities including Land write down

The variance is due to less illegal occupation in the current year.

Inventories losses/write-downs

The variance is due to less invasions in the current year

Public contributions and donations

During the year Thulamela received a donation from Icarus Trading and Suppliers of LB218 MKII Double base bin speaker to the value of R9 128.91 which was not budgeted.